ISLAMIC DEVELOPMENT BANK

28

Annual Report 1423H

(2002-2003)


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Islamabad
Tehran
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Doha
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Mascat
Sanaa
Cairo
Madina Munawara
Makkah Al Mukarrama
Khartoum
Djibouti
Mogadishu
Kampala
Moroni
Maputo
Rabat
Algiers
Tunis
Tripoli
Nouakchott
Dakar
Banjul
Bissau
Conakry
Freetown
Bamako
Niamey
N'Djamena
Ouagadougou
Lagos
Yaounde
Lonie
Cotonou
Libreville
Paramaribo
Dhaka
Male
Kuala Lumpur
Bandar Seri Begawan
Jakarta

In the Name of Allah, the Beneficent, the Merciful

2 Jumad Awwal 1424H
2 July 2003

H.E. The Chairman,
Board of Governors of the
Islamic Development Bank

Dear Mr. Chairman,

Assalam-O-Alaikum Warahmatullah Wabarakatuh!

In accordance with Article 32(I) and (iii) of the Articles of Agreement establishing the Islamic Development Bank and Section 11 of the By-laws, I submit for the kind attention of the esteemed Board of Governors, on behalf of the Board of Executive Directors, the Annual Report on the operations and activities of the Bank in 1423H (2002-2003).

The Annual Report also includes the financial statements of the Bank as well as those of the operations of the Waqf Fund, the Export Financing Scheme and the Islamic Banks' Portfolio for Investment and Development, as prescribed in Section 13 of the By-laws.

Please accept, Mr. Chairman, the assurances of my highest consideration.

Dr. Ahmad Mohamed Ali

A. M. Ali

President,
Islamic Development Bank and
Chairman,
Board of Executive Directors

IDB BOARD OF EXECUTIVE DIRECTORS

Hon. Ibrahim Bin Mohamed Al-Mofleh

Dr. Ahmad Mohamed Ali
President, IDB and Chairman
Board of Executive Directors

Hon Mohammad Azzaroog Rajab

Hon. Ahmad Bin Hj. Hashim

Hon. Zeinhom Zahran

Hon. Mohamed Ali Taleb

Hon. Ilgar Veysal Oglu Isayev

Hon. Dr. Selim C. Karatas

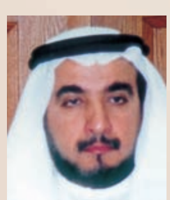
Hon. Dr. Mehdi Karbasian

Hon. Jamal Nasser Rashid Lootah

Hon. Abdulaziz Nur Hersi

Hon. Ould Samba Achour

Hon. Dr. Zul-Kifl Salami



Hon. Faisal Abdul Aziz Al-Zamil

Hon. Dr. Waqar Masood Khan

ISLAMIC DEVELOPMENT BANK

Establishment

The Islamic Development Bank is an international financial institution established in pursuance of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries held in Jeddah in Dhul Q'adah 1393H, corresponding to December 1973. The Inaugural Meeting of the Board of Governors took place in Rajab 1395H, corresponding to July 1975, and the Bank was formally opened on 15 Shawwal 1395H corresponding to 20 October 1975.

Purpose

The purpose of the Bank is to foster economic development and social progress of member countries and Muslim communities in non-member countries individually as well as jointly in accordance with the principles of Shari'ah i.e., Islamic Law.

Functions

The functions of the Bank are to participate in equity capital and to grant loans for productive projects and enterprises besides providing financial assistance to member countries in other forms for economic and social development. The Bank is also required to establish and operate special funds for specific purposes including a fund for assistance to Muslim communities in non-member countries, in addition to setting up trust funds.

The Bank is authorized to accept deposits and to mobilize financial resources through Shari'ah compatible modes. It is also charged with the responsibility of assisting in the promotion of foreign trade, especially in capital goods, among member countries; providing technical assistance to member countries; and extending training facilities for personnel engaged in development activities in member countries to conform to the Shari'ah.

Membership

The present membership of the Bank consists of 54 countries. The basic condition for membership is that the prospective member country should be a member of the Organization of the Islamic Conference, pay its contribution to the capital of the Bank and be willing to accept such terms and conditions as may be decided upon by the IDB Board of Governors.

Capital

Up to the end of 1412H (June 1992), the authorised capital of the Bank was two billion Islamic Dinars. The value of the Islamic Dinar (ID) which is the accounting unit in the Bank, is equivalent to one SDR -Special Drawing Right - of the International Monetary Fund. Since Muharram 1413H (July 1992), in accordance with a Resolution of the Board of Governors, the authorised capital was increased to six billion Islamic Dinars divided into 600,000 shares having a par value of 10,000 Islamic Dinars each. Its subscribed capital was also increased to ID four billion payable according to specific schedules and in freely convertible currency acceptable to the Bank. In 1422H, the Board of Governors, in its Annual Meeting held in Algeria, decided to increase the authorized capital of the Bank from ID six billion to ID 15 billion and the subscribed capital from ID 4.1 billion to ID 8.1 billion

Head Office and Regional Offices

The Bank's principal office is in Jeddah in the Kingdom of Saudi Arabia. Two regional offices were opened in 1994; one in Rabat, Morocco, and the other in Kuala Lumpur, Malaysia. In July 1996, the Board of Executive Directors also approved the establishment of a regional office at Almaty, Kazakhstan, to serve as a link between IDB member countries and Central Asian Republics. The office became operational in July 1997. The Bank also has field representatives in eleven member countries which are: Indonesia, Iran, Kazakhstan, Libya, Pakistan, Senegal, Sudan, the Gambia, Guinea Bissau, Mauritania and Algeria

Financial Year

The Bank's financial year is the lunar Hijra Year (H).

Language

The official language of the Bank is Arabic, but English and French are additionally used as working languages.

CONTENTS

List of Tables........ 13

List of Charts........ 15

List of Abbreviations........ 16

Table 01: Summary of the IDB Group Activities for the Period 1396H -1423H (01 January 1976 - 03 March 2003)........ 19

Table 02: Cummulative IDB Group Operations by Major Mode of Financing from 1396H - 1423H (01 January 1976 - 3 March 2003)........ 20

OVERVIEW........ 23

PART I: ECONOMIC OVERVIEW AND PROSPECTS........ 27

CHAPTER 1: WORLD ECONOMY, MAJOR DEVELOPMENTS AND IDB MEMBER COUNTRIES........ 29

I. PERFORMANCE OF THE WORLD ECONOMY........ 31

1. World Output and Growth........ 31
2. World Trade and Commodity Prices........ 32
3. Inflation, Interest Rates, and Exchange Rates........ 33
4. Major Developments Affecting the World Economy........ 34

II. ECONOMIC PERFORMANCE OF IDB MEMBER COUNTRIES........ 35

1. Real GDP Growth Rates........ 36
2. Inflation........ 36
3. Saving and Investment Rates........ 37
4. Trade and Current Account Balances........ 37
5. External Debt........ 39
6. Projections for 2003-2004........ 39

III. MAJOR ISSUES AND DEVELOPMENTS AFFECTING ECONOMIC PROSPECTS OF IDB MEMBER COUNTRIES........ 41

1. Progress in Implementing MDGs and Sustainable Development........ 41
2. Current Trends in International Capital Flows to Developing Countries........ 42
3. Recent Debt-Relief Initiatives and Poverty-Reducing Growth Strategies........ 46
4. Implications of the Development Agenda of the Doha WTO Ministerial Conference........ 47
5. Implications of EU Expansion for the IDB Member Countries........ 48
6. New Partnership for Africa s Development (NEPAD)........ 51
7. Development of Islamic Banking and Finance........ 52

CHAPTER 2: ECONOMIC COOPERATION AMONG MEMBER COUNTRIES........ 57

I. INTRA-TRADE AND ECONOMIC COOPERATION........ 59

1. Structure and Direction of Trade of IDB Member Countries........ 60
2. Intra-Trade Among IDB Member Countries........ 60
3. Intra-Trade within Regional Economic Organizations involving IDB Member Countries........ 62

II. INTRA-INVESTMENT AND ECONOMIC COOPERATION AMONG MEMBER COUNTRIES........ 66

III. IDB S COOPERATION WITH THE ORGANISATION OF THE ISLAMIC CONFERENCE (OIC)........ 67

1. Cooperation at the OIC Level........ 67
2. Cooperation at the COMCEC Level........ 68
3. Progress in the Implementation of the OIC Plan of Action........ 68
4. Cooperation at the COMSTECH Level........ 68
5. Status Regarding the Signature and Ratification of the Multilateral Agreements Among OIC Member Countries........ 69
6. Activities of the Task Forces Established in Priority Areas of Cooperation in the Implementation of the 8th Islamic Summit Resolution........ 70

IV. IDB S COOPERATION WITH MEMBER COUNTRIES AND MUSLIM COMMUNITIES 70

1. Assistance to Member Countries on the WTO Related Matters........ 71
2. Efforts of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) 71
3. The IDB 1423H Symposium on Women in Poverty Alleviation: Better Access to Education and Micro-Finance 71
4. Technical Cooperation Programme........ 72
5. Promotion of Cooperation Among Member Countries in Private Sector Development........ 72
6. IDB Declaration on Cooperation of the IDB Group with Member Countries in Africa........ 74
7. The International Centre for Bio-saline Agriculture in UAE........ 75
8. Assistance to Muslim Communities in Non-Member Countries........ 75
9. Cooperation through Consultancy Services........ 75

V. IDB S COOPERATION WITH ISLAMIC BANKS AND NATIONAL DEVELOPMENT FINANCING INSTITUTIONS........ 77

1. IDB s Cooperation with Islamic Banks........ 77
2. IDB Cooperation with National Development Financing Institutions........ 78

VI. IDB S COOPERATION WITH REGIONAL AND INTERNATIONAL ORGANISATIONS... 78

1. Promotion of Cooperation through Regional and Sub-regional Cooperation Institutions Involving IDB Member Countries........ 78
2. IDB Co-financing and the Coordination Group........ 78
3. IDB Ties with Regional and International Organisations........ 79

PART II: OPERATIONS........ 83

CHAPTER 3: PROJECT FINANCING, TECHNICAL ASSISTANCE AND WAQF FUND (SPECIAL ASSISTANCE) OPERATIONS........ 85

I. INTRODUCTION........ 87

II. REVIEW OF KEY FEATURES OF IDB OPERATIONS, POLICIES, AND INITIATIVES DURING THE YEAR........ 87

III. ANNUAL AND CUMULATIVE APPROVALS OF PROJECT FINANCING AND TECHNICAL ASSISTANCE OPERATIONS........ 89

1. Distribution of Approved Operations by Sector........ 89
2. Distribution of Approved Operations by Mode of Financing........ 91

3. Geographical Distribution of Project and Technical Assistance Approvals in 1423H.................. 91
4. Operations in the Least Developed Member Countries (LDMCs).. 93
5. Co-financing with other International Financing Institutions (IFIs).. 93

IV. ASSESSMENT OF CURRENT PORTFOLIO.. 94

V. OPERATIONS EVALUATION.. 96

VI. CONSULTING AND PROCUREMENT SERVICES.. 98

VII. REGIONAL OFFICES.. 98

VIII. WAQF FUND OPERATIONS.. 99

1. Special Assistance Programme.. 100
2. Scholarship Programmes... 101
   - 2.1 IDB Scholarship Programme for Muslim Communities in Non-Member Countries.............. 101
   - 2.2 IDB Merit Scholarship Programme for High Technology... 102
   - 2.3 M.Sc Scholarship Programme in Science and Technology for IDB Least Developed Member Countries.. 104
3. Technical Cooperation Programme... 105
4. OIC-Vaccine Production and Illiteracy Eradication Programme.. 106

IX. PROJECT PROFILES BY COUNTRY-1423H... 106

CHAPTER 4: TRADE FINANCING OPERATIONS.. 113

I. HIGHLIGHTS OF IDB S TRADE OPERATIONS AND ACTIVITIES.. 115

II. IDB EFFORTS TO PROMOTE INTRA-TRADE AMONG MEMBER COUNTRIES................. 118

III. IMPORT TRADE FINANCING OPERATIONS (ITFO).. 118

IV. EXPORT FINANCING SCHEME (EFS).. 119

V. TRADE FINANCING UNDER DIFFERENT FUNDS.. 121

1. BADEA Export Financing Scheme.. 121
2. Islamic Banks Portfolio for Investment and Development (IBP).. 121
3. IDB Unit Investment Fund (UIF)... 121
4. Other Trade Financing Operations... 122

VI. TRADE COOPERATION AND PROMOTION... 122

VII. TRADE OPERATIONS EVALUATION.. 123

CHAPTER 5: ACTIVITIES OF AFFILIATED ENTITIES AND FUNDS.. 129

I. ISLAMIC BANKS PORTFOLIO FOR INVESTMENT AND DEVELOPMENT 132

II. IDB UNIT INVESTMENT FUND.. 132

III. IDB INFRASTRUCTURE FUND... 134

IV. ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT (ICIEC).. 136

V. ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD).. 137

VI. AWQAF PROPERTIES INVESTMENT FUND (APIF)... 138

VII. WORLD WAQF FOUNDATION.. 138

VIII. ISLAMIC RESEARCH AND TRAINING INSTITUTE (IRTI)... 139

IX. INTERNATIONAL CENTER FOR BIO SALINE AGRICULTURE (ICBA)................................ 142

X. OICNETWORKS SDN BHD (OICNETWORKS).. 144

XI. THE IDB SACRIFICIAL MEAT UTILIZATION PROJECT OF THE KINGDOM OF SAUDI ARABIA.. 145

PART III: ADMINISTRATION AND FINANCE ... 149
CHAPTER 6: ADMINISTRATIVE AND CORPORATE AFFAIRS ... 151
I. IDB MEMBERSHIP ... 153
II. THE BOARD OF GOVERNORS ... 153
III. ELECTION OF EXECUTIVE DIRECTORS ... 155
IV. ACTIVITIES OF THE BOARD OF EXECUTIVE DIRECTORS ... 156
V. ORGANIZATIONAL REVIEW ... 158
VI. INFORMATION TECHNOLOGY ACTIVITIES ... 160
VII. IDB LIVE DATABASE ... 160
VIII. STAFF ... 161
IX. LIBRARY ... 161
CHAPTER 7: FINANCE ... 165
I. OPERATIONS FINANCING ... 167
Disbursements ... 167
Repayments ... 167
Overdues ... 168
II. FUNDING ... 169
III. MANAGEMENT OF LIQUID FUNDS ... 169
IV. OPERATIONS RESULTS ... 170
1. Income ... 170
2. Expenses ... 171
3. Provisions ... 172
V. WAQF FUND ... 172
VI. RESOURCE MOBILISATION ... 172
BOXES ...
CHAPTER 1: ... 29
Box 1.1 Millennium Development Goals (MDGs): Targets and Progress ... 43
Box 1.2 Findings and Recommendations of the Occasional Paper on Resource Constraints in Financing Development in IDB Member Countries ... 45
Box 1.3 Key Points of the Occasional Paper Entitled Major Issues and Challenges of the New WTO Work Programme for IDB Member Countries ... 49
Box 1.4 A Time Line in Islamic Banking and Financial Institutions ... 53
Box 1.5 Corporate Governance in Islamic Financial Institutions ... 55
CHAPTER 2: ... 57
Box 2.1 Recommendations of the Symposium on Women in Poverty Alleviation: Better Access to Education and Macro-Finance ... 73
Box 2.2 Declaration on IDB Group Cooperation with Africa ... 76
CHAPTER 3: ... 85
Box 3.1 Lessons Learned from Experience in Post-evaluating Rural Development Projects Financed by IDB ... 97
Box 3.2 Summary of Major Achievements and Contribution of the Regional Offices. 99
Box 3.3 Sources of Income and Utilization of the Waqf Fund ... 100
CHAPTER 4: ... 113
Box 4.1 Pre-Shipment Financing ... 118
CHAPTER 6: ... 153
Box 6.1 Major Policy Decisions taken by the IDB Board of Executive Directors in 1423H ... 157

LIST OF TABLES

CHAPTER 1:	....	29
Table 1.1	Highlights of the Economic Performance of IDB Member Countries......................................	38
Table 1.2	.Statistics on External Debt by Type for IDB Member Countries...	40
Table 1.3	Estimated NPV of Debt Relief by IDB Member Countries...	46
CHAPTER 2:	....	57
Table 2.1	World Trade: Total, Inter and Intra-Exports of Industrial, Developing and IDB Member Countries..	61
Table 2.2	Intra-Trade among IDB Member Countries in 2001	63
Table 2.3	Total and Intra-Trade in Regional Economic Groupings of IDB Member Countries...............	64
Table 2.A	Intra-Trade in IDB Member Countries..	81
CHAPTER 3:	....	85
Table 3.1	Financing Approved by the IDB Group by Type of Operation, (1419H-1423H).....................	90
Table 3.2	.Distribution of Net Project and Technical Assistance Financing by Sector............................	91
Table 3.3.	Approved Project and Technical Assistance Financing by Mode of Financing.......................	92
Table 3.4	Types of Financing by Category of Countries, 1423H...	93
Table 3.5	Financing Approved for the LDMCs during 1423H (15 March 2002 - 3 March 2003)..........	94
Table 3.6	Cumulative Financing Approved for the LDMCs, 1396H-1423H..	94
Table 3.7	Projects Co-financed with other Institutions in 1423H (15 March 2002 - 3 March 2003)......	95
Table 3.8	Status of Current Portfolio, End 1423H (15 March 2002 - 3 March 2003)..............................	95
Table 3.9	Operations Financed from the IDB Waqf Fund in 1423H in Member Countries and for Muslim Communities in Non-Member Countries..	101
Table 3.10	Summary of Operations Approved from the IDB Special Assistance and Waqf Fund for Member Countries and for Muslim Communities and Societies in Non-Member Countries..	102
Table 3.11	IDB Scholarship Programme for Muslim Communities in Non-Member Countries: Progress during 1423H (15 March 2002-03 March 2003)..	103
Table 3.12	IDB Merit Scholarship Programme Statistics on Selection for the Last Five Years (A.Y.1419H-1423H)..	105
Table 3.13	M. Sc. Scholarship Programme in Science and Technology for IDB Least Develop Member Countries Selection for the Last Five Years (1419H-1423H..	106
CHAPTER 4:	....	113
Table 4.1	Distribution of Trade Financing Approvals, 1397H-1423H..	116
Table 4.2	Resources for Trade Financing for the Year 1423H...	117
Table 4.3	Comparison between Trade Financing Approvals and Disbursements (1419H-1423H)...........	117
Table 4.4	Intra-Trade Performance under ITFO between 1397H - 1423H..	119
Table 4.5	ITFO Approvals from 1397H-1423H, Breakdown by Commodity..	119
Table 4.6	ITFO Approvals by Country in 1423H..	120
Table 4.7	EFS Approvals from 1408H - 1423H by Exporting Member Countries.................................	120
Table 4.8	EFS Approvals in Favour of Exporting Member Countries, 1408H-1423H............................	120

Table 4.9	BADEA-EFS Operations Approved, 1419H-1423H	121
Table 4.10	Trade Financing Operations Approved by IBP in 1423H	122
Table 4.11	IDB Unit Investment Fund Trade Financing Operations Approved during 1423H	122
Annex 4A	Distribution of Gross Trade Financing Approvals, 1397H-1423H	124
Annex 4B	ITFO Approvals by Country in 1423H	125
Annex 4C	EFS Approvals by Country in 1423H	128
CHAPTER 5:		129
Table 5.1	List of IBP Operations Approved during 1423H	132
Table 5.2	IBP Operations by Mode of Financing Since Inception	133
Table 5.3	Gross Unit Investment Fund Approvals by Financing Arrangements Since Inception, 1410H-1423H	133
Table 5.4	The Unit Investment Funds Operations by Mode of Financing Since Inception	134
Table 5.5	Distribution of the Infrastructure Fund by Investor	135
Table 5.6	Project-Pipeline of the IDB-Infrastructure Fund	136
Table 5.7	ICD Financing Portfolio by Modes of Financing from 1421H to 1423H	137
Table 5.8	APIF Operations by Mode of Financing Since Inception	138
Table 5.	Seminars and Conferences held during 1423H	140
Table 5.10	IRTI Training Programmes during 1423H	141
Table 5.11	Distribution of Sacrificial Meat during Hajj Season from 1419H-1423H	146
Table 5.A	Total Operations Approved by the Islamic Banks Portfolio and IDB Unit Investment Fund by Country	147
Annex 5.B	Operations Approved by Unit Investment Fund (UIF) During 1423H	148
CHAPTER 6:		151
Table 6.1	Business Transacted by the Board of Executive Directors during 1423H	156
Table 6.2	Staff Training during 1423H	161
CHAPTER 7:		165
Table 7.1	Disbursements ordinary operations 1419H-1423H	168
Table 7.1A	Disbursements other schemes 1419H-1423H	168
Table 7.2	Repayments ordinary operations 1419H-1423H	168
Table 7.2A	Repayments other schemes 1409H-1423H	168
Table 7.3	Overdues on Operations, 1409H-1423H	169
Table 7.4	Member Countries Funds, 1419H-1423H	169
Table 7.5	Overdues on Share Capital, 1409H-1423H	169
Table 7.6A	Composition of Liquid Funds in Major Currencies, 1419H-1423H	170
Table 7.6B	Investment of Liquid Fund, 1419H-1423H	170
Table 7.7	Composition of Gross Income, 1419H-1423H	171
Table 7.7A	Net Income from 1419H-1423H	171
Table 7.8	Expenses and Provisions, 1419H-1423H	171
Table 7.9	OCR-Major Financial Information, 1419H-1423H	173
Table 7.10	Assets and Resources of the Waqf Fund (Formerly Special Account) 1420H-1423H	174

LIST OF CHARTS

CHAPTER 1: 29

Real GDP Growth Trends.. 31

Figure 1.2 World Inflation.. 33

Chart 1A Real GDP Growth.. 56

Chart 1B Inflation.. 56

Chart 1C Current Account Balance Percentage of GDP at Current Prices.. 56

Chart 1D Ratio of Debt Services to Exports of Goods and Services.. 56

Chart 1E Aggregate Net Resource Flows to Developing Countries.. 56

CHAPTER 2: 59

IDB Member Countries Trade.. 59

CHAPTER 3: 85

IDB Operation.. 87

Chart 3.1 Project and Technical Assistance Financing, 1419H-1423H.. 90

Chart 3.2 Sector Distribution of Project and Technical Assistance Operations Approved during 1423H.. 90

Chart 3.3 Cummulative Sector Distribution of Projects and Technical Assistance Operations, 1423H.. 91

Chart 3.4 Mode-wise Distribution of Approvals, 1423H.. 92

Chart 3.5 Cumulative Mode-wise Distribution of Approvals, 1396H-1423H.. 92

Chart 3.6 Geographical Distribution of Concessional Financing, 1423H.. 93

Chart 3.7 Geographical Distribution of Non-Concessional Financing,.. 93

Chart 3.8 Disbursement and Approval Trends, 1419H-1423H.. 97

CHAPTER 4: 113

IDB Net Trade Finance Approvals.. 115

Chart 4.1 Distribution of Trade Financing Approvals, 1397H-1423H.. 116

Chart 4.2 Comparison between Trade Financing, Total Approvals & Disbursements.. 117

Chart 4.3 ITFO Approvals from 1419H to 1423H.. 119

CHAPTER 5: 129

IDB and UIF Net Operations.. 131

CHAPTER 6: 151

IDB Staff Profile.. 153

Organisational Chart of the Islamic Development Bank Group.. 163

CHAPTER 7: 165

Income and Expenses.. 167

Chart 7.1 Disbursements, 1419H-1423H.. 168

Chart 7.2 Repayments, 1419H-1423H.. 168

Chart 7.3 Member Countrie s Funds, 1419H-1423H.. 169

Chart 7.4 Sources of Income 1423H.. 171

Chart 7.5 Expenditure 1423H.. 172

ABBREVIATIONS

ACSAD	-	The Arab Centre for the Studies of Arid Zones and Dry Land
ADB	-	Asian Development Bank
ADFIM	-	Association of Development Finance Institutions of Malaysia
ADFIMI	-	Association of National Development Financing Institutions in Member Countries of the IDB
AfDB	-	African Development Bank
AFESD	-	Arab Fund for Economic and Social Development
AFTAAC	-	Arab Fund for Technical Assistance to African Countries
AGFUND	-	Arab Gulf Programme for United Nations Development Organisation
AMD	-	Assets Management Department, IDB
AOAD	-	Arab Organisation for Agricultural Development
APEC	-	Asia-Pacific Economic Co-operation
ARABOSAI	-	Arab Organisation of Supreme Audit Institutions
ASEAN	-	Association of the South East Asian Nations
ATO	-	Arab Towns Congress
AUDI	-	Arab Urban Development Institute
APIF	-	Awqf Properties Investment Fund
BADEA	-	Arab Bank for Economic Development in Africa
BED	-	IDB Board of Executive Directors
BITNET	-	American Academic Network
BMA	-	Bahrain Monetary Agency
BOAD	-	Banque Ouest Africaine de D veloppement (West African Development Bank)
BOG	-	IDB Board of Governors
CIF	-	Cost, Insurance and Freight
CILSS	-	Comite Intergouvernemental de lutte Contre la Secheresse au Sahel (Inter-State Committee for Drought Control in the Sahel)
CIS	-	Commonwealth of Independent States
CNCA	-	National Agricultural Credit Fund of Morocco
COMCEC	-	OIC Standing Committee for Economic and Commercial Co-operation
COMIAC	-	OIC Standing Committee for Information and Cultural Affairs
COMSTECH	-	OIC Standing Committee for Scientific and Technological Co-operation
EC(EEC)/EU	-	European (Economic) Community/Union
ECA	-	Economic Commission for Africa
ECWA	-	Economic Commission for Western Asia
ECOWAS	-	Economic Community for West African States
EDI	-	Economic Development Institute/World Bank
EFS	-	Export Financing Scheme

FAO	-	Food and Agricultural Organisation of the United Nations
FCIC	-	Federation of Consultants from Islamic Countries
FIDIC	-	International Federation of Consulting Engineers
FOB	-	Free on Board
FOCIC	-	Federation of Contractors of Islamic Countries
GATT	-	General Agreement on Tariffs and Trade
GCC	-	Gulf Co-operation Council
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
GULFNET	-	Gulf Countries Network for Academic and Research Institutions
IAS	-	Islamic Academy of Sciences
IBP	-	Islamic Banks Portfolio
IBRD	-	International Bank for Reconstruction and Development (World Bank)
ICBA	-	International Centre for Biosaline Agriculture
ICCICE	-	Islamic Chamber of Commerce, Industry and Commodity Exchange (Karachi)
ICD	-	Islamic Corporation for the Development of Private Sector (ICD)
ICDT	-	Islamic Centre for Development of Trade (Casablanca)
ICIEC	-	Islamic Corporation for the Insurance of Investment and Export Credit
IFAD	-	International Fund for Agricultural Development
ID	-	Islamic Dinar, which is equivalent to one Special Drawing Right of International Monetary Fund
IDB	-	Islamic Development Bank
IFC	-	International Finance Corporation/World Bank
IFSB	-	Islamic Financial Services Board
IFSTAD	-	Islamic Foundation for Science, Technology and Development (Jeddah)
IIFTIHAR	-	International Islamic Forum for Science, Technology and Human Resources Development
IIRA	-	International Islamic Rating Agency
IMF	-	International Monetary Fund
INOGNE	-	Inter-Islamic S&T Network on Biotechnology and Genetic Engineering
INRES	-	Inter-Islamic S&T Network on Renewable Energy Sources
INWRDAM	-	Inter-Islamic S&T Network on Water Resources Development and Management
IRTI	-	Islamic Research and Training Institute of IDB
IRTIC	-	IRTI Information Centre
ISESCO	-	Islamic Educational, Scientific and Cultural Organisation
ISTU	-	Islamic States Telecommunications Union
ITFO	-	IDB's Import Trade Financing Operations
IUT	-	Islamic University of Technology
KF	-	Kuwait Fund for Arab Economic Development

KFW	-	German Aid Organisation
LDCs	-	Least Developed Countries
LDMCs	-	Least Developed Member Countries of the IDB
MFIs	-	Multilateral Financing Institutions
NAFTA	-	North American Free Trade Agreement
NDFIs	-	National Development Financing Institutions
ODA	-	Official Development Assistance
OECD	-	Organisation for Economic Co-operation and Development
OIC	-	Organisation of the Islamic Conference
OICC	-	Organisation of Islamic Capitals and Cities
OICIS-NET	-	OIC Information System Network
OPEC	-	Organisation of Petroleum Exporting Countries
PLS	-	Profit and Loss Sharing
R&D	-	Research and Development
SDR	-	Special Drawing Right
SESRTCIC	-	Statistical, Economic and Social Research and Training Centre for Islamic Countries
SFD	-	Saudi Fund for Development
S&T	-	Science and Technology
TA	-	Technical Assistance
TCP	-	IDB Technical Co-operation Programme
TINIC	-	Trade Information Network for Islamic Countries
TPSOIC	-	OIC Trade Preferential System
TRANS	-	Comite de Liaison de la Route Trans Saharienne (Trans Saharan Road Liaison Committee)
UAE	-	United Arab Emirates
UIF	-	IDB Unit Investment Fund
UN	-	United Nations
UNCED	-	United Nations Conference on Environment and Development
UNCTAD	-	United Nations Conference on Trade and Development
UNDP	-	United Nations Development Programme
UNEP	-	United Nations Environment Programme
UNESCO	-	United Nations Educational, Scientific and Cultural Organisation
USA	-	United States of America
WHO	-	World Health Organisation
WWqF	-	World Waqf Foundation
XGS	-	Exports of Goods and Services

TABLE 0.1: SUMMARY OF THE IDB GROUP ACTIVITIES FOR THE PERIOD 1396H -1423H (1 JANUARY 1976 - 3 MARCH 2003)

(Amount in million)[1]

ITEM[2]	1396H-1420H		1421H		1422H		1423H		1396H-1423H	
	No.	**ID/US$**	**No.**	**ID/US$**	**No.**	**ID/US$**	**No.**	**ID/US$**	**No.**	**ID/US$**
PROJECT FINANCING[3]										
Loan	377	1,644.81	52	202.22	50	213.67	48	220.99	527	2,281.70
		2,113.14		*268.91*		*274.74*		*286.88*		*2,943.68*
Equity	107	345.19	6	15.16	4	12.92	5	22.58	122	395.85
		442.76		*19.44*		*16.19*		*30.85*		*509.25*
Leasing	155	1,853.00	7	116.55	22	267.54	12	147.80	196	2,384.89
		2,503.04		*150.69*		*344.12*		*192.84*		*3,190.68*
Installment Sale	135	1,176.30	13	117.27	11	93.25	25	270.05	184	1,656.87
		1,568.77		*156.42*		*117.95*		*352.24*		*2,195.37*
Combined Lines of Financing	18	154.02	1	11.00	2	27.41	1	10.00	22	202.43
		197.69		*14.70*		*36.00*		*12.50*		*260.89*
Profit Sharing/Musharaka	8	93.35	-	-	-	-	-	-	8	93.35
		124.55		-		-		-		*124.55*
Istisna a	21	237.44	18	248.31	14	270.43	8	149.55	61	905.73
		321.11		*330.23*		*345.77*		*189.00*		*1,186.11*
Investment	19	109.42	-	-	1	11.95	7	64.33	27	185.70
		149.00		-		*15.00*		*88.13*		*252.13*
Total Project Financing	**840**	**5,613.52**	**97**	**710.50**	**104**	**897.18**	**106**	**885.30**	**1147**	**8,106.51**
		7,420.05		***940.39***		***1,149.78***		***1,152.44***		***10,662.65***
Technical Assistance (TA)	309	96.96	28	10.39	36	8.00	26	6.58	399	121.93
		122.54		*14.27*		*10.29*		*8.47*		*155.57*
TOTAL PROJECT FINANCING + TA	**1149**	**5,710.48**	**125**	**720.89**	**140**	**905.18**	**132**	**891.88**	**1546**	**8,228.43**
		7,542.59		***954.66***		***1,160.07***		***1,160.90***		***10,818.22***
TRADE FINANCING OPERATIONS[4]										
Import Trade Financing Operations (ITFO)	948	9,223.72	61	786.66	65	1,028.12	78	1,060.35	1152	12,098.85
		11,681.14		*1,024.73*		*1,297.50*		*1,400.00*		*15,403.36*
Export Financing Scheme (EFS)	151	394.21	21	143.27	20	170.23	21	172.67	213	880.38
		545.85		*188.22*		*213.95*		*227.20*		*1,176.21*
Islamic Banks Portfolio (IBP)	101	1,065.73	9	149.72	8	66.14	14	133.03	132	1,414.62
		1,490.78		*190.00*		*83.00*		*182.25*		*1,946.03*
Unit Investment Fund (UIF)	32	134.70	8	74.86	5	35.46	10	70.80	55	315.82
		189.45		*95.00*		*44.50*		*97.00*		*425.95*
Awqaf Properties Investment Fund (APIF)	-	-	-	-	1	0.64	2	2.19	3	2.83
		-		-		*0.80*		*3.00*		*3.80*
Islamic Corporation for Development (ICD)	-	-	1	0.36	-	-	-	-	1	0.36
		-		*0.46*		-		-		*0.46*
Treasury Operations	-	-	1	30.38	2	39.84	-	-	3	70.22
		-		*38.55*		*50.00*		-		*88.55*
TOTAL TRADE FINANCING OPERATIONS	**1232**	**10,818.34**	**101**	**1,185.26**	**101**	**1,340.42**	**125**	**1,439.05**	**1559**	**14,783.08**
		13,908.22		*1,536.95*		*1,689.75*		*1,909.45*		*19,044.37*
Waqf Fund (Special Assistance Operations)	833	400.39	47	11.62	54	11.16	38	9.34	972	432.50
		498.25		*15.35*		*14.07*		*12.54*		*540.21*
NET APPROVED OPERATIONS	**3214**	**16,929.22**	**273**	**1,917.77**	**295**	**2,256.75**	**295**	**2,340.27**	**4077**	**23,444.01**
		21,949.05		*2,506.96*		*2,863.89*		*3,082.89*		*30,402.80*
GROSS APPROVED OPERATIONS	**3726**	**19,825.87**	**292**	**2,146.83**	**297**	**2,272.39**	**296**	**2,342.53**	**4611**	**26,587.62**
		25,796.04		*2,808.05*		*2,883.89*		*3,085.99*		*34,573.97*
MEMORANDUM ITEM (in ID million)										
DISBURSEMENT[5]		13,165.5		738.7		1178.8		1,359.6		16,442.6
REPAYMENTS[5]		10,652.0		*		1290.0		989		12,931.0
GROSS INCOME				151.50		170.55		160.58		
NET INCOME				77.65		72.91		73.45		
RESERVES: **Capital**				26.27		26.27		26.27		
General				970.73		1,048.15		1,121.87		
BALANCE ON INVESTMENT DEPOSIT SCHEME				74.66		91.84		94.94		
SUBSCRIBED CAPITAL				4,060.54		8,100.00		8,100.00		
NUMBER OF MEMBER COUNTRIES			53		53		54			
ADMINISTRATIVE BUDGET: **Approved**				43.65		49.23		52.28		
Actual				44.79		48.04		51.73		
NUMBER OF STAFF AT END OF YEAR			822		878		881			

(1) US$ amounts are in Italic.
(2) All figures on operations are net of cancellation, unless otherwise specified.
(3) Figures include IBP, ICD, UIF, APIF & Treasury Operations.
* Data for 1421H included in the cumulative figures for 1396H - 1420H.
(4) Mainly through Murabaha mode of financing.
(5) Figures refer to ordinary operations, ITFO, EFS, IBP, UIF, APIF & ICD.

TABLE 0.2: CUMULATIVE IDB GROUP* OPERATIONS BY MAJOR MODE OF FINANCING FROM 1396H TO THE END OF 1423H (1 JANUARY 1976 - 3 MARCH 2003)

(Amount in million)

Country	Total Project Financing		Technical Assistance		Total Trade Financing		Special Assistance Operations		Grand Total	
	No.	ID/US$	No.	ID/US$	No.	ID/US$	No.	ID/US$	No.	ID/US$
Afghanistan							16	7.34	16	7.34
								9.76		9.76
Albania	10	42.07	4	0.58			2	0.96	16	43.61
		57.64		0.81				1.30		59.74
Algeria	40	419.16	7	3.92	191	1,488.85	7	2.91	245	1,914.84
		552.50		5.10		1,881.40		3.85		2,442.85
Azerbaijan	7	53.40	7	1.30			4	1.51	18	56.21
		72.88		1.79				1.99		76.66
Bahrain	44	286.99	3	0.50	10	89.51			57	377.00
		378.55		0.67		118.00				497.22
Bangladesh	47	242.08	2	0.60	92	1,407.71	9	28.41	150	1,678.80
		318.76		0.81		1,767.26		35.05		2,121.88
Benin	19	72.88	11	4.24	4	16.52	1	1.29	35	94.93
		95.74		4.93		20.00		1.40		122.08
Brunei	3	35.75							3	35.75
		45.17								45.17
Burkina Faso	32	129.94	13	7.32	2	8.61	8	8.13	55	154.00
		170.55		8.71		11.25		8.64		199.15
Cameroon	17	98.93	7	2.54			3	1.34	27	102.82
		126.79		3.10				1.74		131.63
Chad	21	61.33	13	2.88			10	9.86	44	74.07
		79.84		3.69				10.75		94.27
Comoros Islands	6	15.64	5	1.58	3	5.93	2	0.73	16	23.87
		20.14		1.97		7.50		0.88		30.49
Cote D Ivoire	1	6.31					6	0.95	7	7.26
		8.20						1.25		9.45
Djibouti	14	20.99	5	1.10			8	1.42	27	23.51
		26.56		1.33				1.87		29.76
Egypt	35	445.34	6	1.31	86	744.83	3	0.93	130	1,192.41
		601.79		1.74		976.46		1.20		1,581.19
Gabon	11	82.32	4	2.16					15	84.48
		107.66		2.96						110.63
Gambia	17	38.76	11	2.15	7	11.87	4	1.65	39	54.44
		51.16		2.78		14.04		1.83		69.82
Guinea	35	146.13	18	7.04	6	37.93	5	5.99	64	197.08
		189.13		9.03		48.80		7.59		254.55
Guinea Bissau	3	2.73	6	1.27	2	11.59	3	1.12	14	16.70
		3.21		1.54		15.00		1.25		21.00
Indonesia	45	310.07	2	0.08	20	426.27	1	0.16	68	736.58
		423.04		0.11		571.00		0.22		994.36
Iran	19	280.04	2	1.30	62	566.52	4	9.16	87	857.01
		377.50		1.71		754.05		12.00		1,145.26
Iraq	17	131.92	1	0.10	44	325.83	5	2.02	67	459.87
		172.23		0.15		378.77		2.65		553.80
Jordan	43	378.20	11	3.55	59	571.43	1	0.20	114	953.37
		496.95		4.65		685.53		0.25		1,187.38
Kazakhstan	7	50.01	5	1.01	2	6.05	4	0.58	18	57.65
		67.29		1.36		8.00		0.79		77.44
Kuwait	11	123.42	4	1.00	8	108.40	4	6.47	27	239.29
		170.39		1.39		143.48		7.51		322.77
Kyrgyz Rep.	7	37.21	5	0.92			3	1.05	15	39.17
		51.61		1.26				1.47		54.34
Lebanon	31	340.41	5	0.68	11	109.57	17	5.26	64	455.92
		457.86		0.88		145.77		7.29		611.80
Libya	15	243.15	1	1.98	11	235.22	2	2.90	29	483.25
		318.74		2.60		306.66		3.75		631.75
Malaysia	25	374.13	2	0.19	39	151.01	5	8.81	71	534.13
		486.84		0.26		204.49		11.45		703.05

* Figures are net cancellation (unless otherwise specified) and include ICD, UIF, IBP, APIF and Treasury operations.

TABLE 0.2: CUMULATIVE IDB GROUP* OPERATIONS BY MAJOR MODE OF FINANCING FROM 1396H TO THE END OF 1423H (1 JANUARY 1976 - 3 MARCH 2003)

(Amount in million)

Country	Total Project Financing		Technical Assistance		Total Trade Financing		Special Assistance Operations		Grand Total	
	No.	ID/US$	No.	ID/US$	No.	ID/US$	No.	ID/US$	No.	ID/US$
Maldives	13	32.80	6	0.82	1	3.10			20	36.72
		43.80		1.02		4.00				48.83
Mali	29	120.89	18	5.55	1	6.11	6	13.32	54	145.87
		155.24		6.90		7.97		14.28		184.38
Mauritania	26	104.04	22	9.13	3	20.42	5	9.08	56	142.66
		131.62		11.78		24.50		10.17		178.06
Morocco	33	277.09	9	1.92	103	1,090.23	3	1.04	148	1,370.27
		358.41		2.54		1,401.56		1.30		1,763.81
Mozambique	10	41.27	2	0.26			5	1.77	17	43.30
		56.27		0.37				2.23		58.86
Niger	17	53.49	17	5.94	14	89.04	11	7.65	59	156.12
		63.41		7.28		108.35		8.57		187.61
Oman	30	357.56	5	1.69	3	32.57	2	0.38	40	392.20
		466.15		2.21		42.00		0.50		510.86
Pakistan	43	353.37	5	1.01	221	3.295.00	5	6.33	274	3,655.71
		469.18		1.33		4,366.04		8.47		4,845.02
Palestine	12	27.69	7	2.05			36	38.85	55	68.58
		37.20		2.94				49.74		89.87
Qatar	11	113.68	1	0.08	1	3.86			13	117.62
		155.79		0.11		5.00				160.89
Saudi Arabia	18	194.68	10	1.40	60	438.57	2	0.11	90	634.76
		259.60		1.92		575.51		0.13		837.16
Senegal	33	160.98	15	6.56	12	77.22	6	12.67	66	257.44
		206.55		7.88		98.50		13.94		326.87
Sierra Leone	11	25.30	12	3.35			3	2.37	26	31.03
		31.66		3.84				3.00		38.49
Somalia	6	20.00	6	1.54	4	36.06	15	4.38	31	61.98
		24.86		1.90		46.20		5.79		78.75
Sudan	41	205.23	10	1.67	17	130.90	14	18.15	82	355.95
		270.02		2.20		170.03		21.61		463.86
Suriname	1	3.50	1	0.11	1	7.39	2	0.13	5	11.13
		4.88		0.15		10.00		0.19		15.22
Syria	24	233.04	1	0.20	11	84.35	1	0.20	37	317.78
		305.01		0.28		92.79		0.25		398.33
Tajikistan	9	46.13	7	1.39			4	0.43	20	47.96
		61.35		1.87				0.59		63.81
Togo	6	27.27	2	0.54			2	1.37	10	29.17
		36.44		0.71				1.70		38.84
Tunisia	44	286.42	4	0.64	140	640.00	4	3.27	192	930.33
		364.43		0.86		824.52		4.20		1,194.01
Turkey	79	574.46	2	3.25	251	2,001.65	6	17.26	338	2,596.62
		737.07		4.19		2,597.93		20.71		3,359.91
Turkmenistan	7	54.74	1	0.19			2	0.23	10	55.17
		73.48		0.27				0.33		74.08
U.A.E	15	72.80	5	0.62	14	131.76			34	205.18
		95.24		0.81		168.50				264.55
Uganda	7	30.28	6	1.91	5	11.34	5	2.67	23	46.19
		37.79		2.20		13.89		3.42		57.31
Yemen Rep.	29	127.51	16	5.18	37	345.03	7	6.99	89	484.71
		161.51		6.28		409.62		8.45		585.86
Regional	4	21.45	48	13.60			77	25.41	129	60.46
		29.60		18.32				33.66		81.58
Special Programme	4	62.46			1	14.85			5	77.31
		85.00				20.00				105.00
Non Member Countries	3	9.10	1	0.07			612	147.33	616	156.50
		12.42		0.10				189.29		201.81
NET APPROVALS	**1147**	**8,106.53**	**399**	**121.92**	**1,559**	**14,783.10**	**972**	**432.50**	**4077**	**23,444.02**
		10,662.65		**155.57**		**19,044.37**		**540.21**		**30,402.81**
GROSS APPROVALS	**1314**	**9,391.18**	**429**	**128.11**	**1,896**	**16,635.84**	**972**	**432.50**	**4611**	**26,587.62**
		12,310.34		**163.33**		**21,560.09**		**540.21**		**34,573.97**

* Figures are net cancellation (unless otherwise specified) and include ICD, UIF, IBP, APIF and Treasury operations.

Abd Al-Mod min Dam Project

OVERVIEW

Under the Articles of Agreement establishing the Islamic Development Bank (IDB), the Board of Executive Directors is required to submit to the Board of Governors an annual report on the activities of the Bank for each Hijra (H) year. The report is meant to primarily cover the operational and financial activities of the Bank during the year. However, developments in the world economy and the economic performance of IDB member countries are also reviewed so as to reflect the environment within which the Bank operated during a given year. In addition, the Report also presents an overview of trade among member countries and Bank's efforts to promote economic cooperation among its member countries.

The Annual Report 1423H (covering the period from 15 March 2002 to 03 March 2003) is divided into three parts: Part I covers Economic Overview and Prospects; Part II presents operations of the Bank as well as different entities and funds in the IDB Group, and Part III covers Corporate Affairs and Finance of the Bank.

Economic Overview and Prospects

During the Hijra (H) year, 1423H, the global economy as well as the economies of IDB member countries as a group continued to be under pressure despite some mild recovery in world GDP growth compared to that in 2001. The implication of the post-September 11, 2001 events and preparation of war on Iraq by coalition forces in the second half of the 1423H, had already impacted on the future prospects of the global economy in general and those of the IDB member countries in particular.

Nevertheless, according to IMF data, the world economy grew by 3.0 percent in 2002, compared to 2.3 percent in 2001. Regarding advanced economies, they grew at 1.8 percent compared to 1.2 percent in 2001. The GDP growth of IDB member countries as a group also registered a marginal improvement from 3.9 percent in 2001 to 4.2 percent in 2002. The growth of world trade in terms of volume increased from -0.1 percent in 2001 to 2.1 percent in 2002. The growth of exports from advanced economies rose from -1.1 percent to 2.0 percent while those of developing countries rose from 3.3 percent in 2001 to 3.8 percent in 2002.

As regards IDB member countries, their trade growth fell from 23.1 percent in 2001 to 2.7 percent in 2002. The trade balance of member countries as a percentage of their GDP declined from 8.0 percent in 2001 to 5.8 percent in 2002 while their current account balance registered a major drop from 4.0 percent of GDP in 2001 to 2.0 percent in 2002. Private capital formation, as a percentage of GDP remained almost stagnant at about 14.1 percent compared to 14.0 percent in 2001 and 15.3 percent in 2000.

Total debt stock of IDB member countries increased from US$865.2 billion in 2001 to US$882.2 billion in 2002. Their debt service ratio however showed some improvement as it declined from 17.7 per cent in 2001 to 15.5 per cent in 2002. Up to the end of 1423H, 14 member countries had qualified for debt relief under the original and enhanced HIPC Initiative. By the end of 1423H, the estimated net present value (NPV) of the debt relief to be provided by the IDB under the Initiative was US$123.9 million.

The net capital flows to developing countries registered declining trend in 2002. The foreign direct investment (FDI) flows to developing countries was US$151.3 billion in 2002 as compared to US$172.1 billion in 2001 while the official development assistance (ODA) to developing countries from the members of the DAC fell from US$53.7 billion in 2001 to US$51.5 billion in 2002. There was, however, an increase in official flows to the Middle East from US$6.6 billion in 2001 to US$8.8 billion in 2002.

Some of the major challenges/events that took place during the year and had far reaching implications for the world economy were: a) sustaining the global economic recovery, b) the geopolitical uncertainties in the Middle East, and the threat of further conflicts in the region, and c) the prices of oil. The recent outbreak of SARS has also added a new challenge with serious adverse effect on the tourism, trade and transport sectors of the affected countries. According to the IMF estimates, the GDP growth in emerging Asia would decrease on an average by 0.4% if SARS epidemic lasts for one quarter in 2003.

Despite the above challenges, however, the IMF forecast is that the world output will grow by 3.2% in 2003 and 4.1% in 2004 primarily because of higher expected growth of the US and other advanced economies. The forecast for GDP growth in IDB member countries is 4.7% in 2003 as compared to 3.9% in 2002.

The major developments that are likely to have significant economic implications for IDB member countries are the ongoing crisis in Iraq and the Middle-east situation in general, trends in prices of primary commodities, particularly energy prices, and UN level efforts to pursue millennium development goals and to mobilise financing for sustainable development, the development agenda of the Doha Ministerial Conference, expansion of the EU with likely significant impact on countries like Turkey, and the progress made in implementing NEPAD.

As for trade among the member countries of the IDB, intra-exports increased by only 1.5 per cent in 2001 to reach US$ 52.4 billion from the US$ 51.6 billion realized in 2000. Despite this rise, the share of intra-exports in total world exports of these countries declined, although slightly, from 10.8 per cent to 10.7 per cent during the same period. On the other hand, it was observed that intra-imports rose from US$53.1 billion in 2000 (13.1 per cent as share of total imports) to US$ 55 billion (13.6 per cent).

In the area of intra-investment, the IDB countries appeared once again to have performed below expectations. At a time when the FDI flows from the industrialized countries, which are the main source of such flows globally, have been going down, the intra-investments remained very low (less than US$6 billion over 15 years' period from 1985 to 2000). Moreover, 90 percent of these flows was received by only 6 out of 54 IDB member countries , 70 per cent of these flows emanated from only 4 countries.

Despite the above, the efforts to promote cooperation among the IDB member countries have continued. The COMCEC in its 18th Session took action to accelerate the implementation of the 1994 OIC Plan of Action to strengthen economic and commercial Cooperation with technical support and contributions from the OIC institutions and the IDB. It also deliberated in detail on promotion of the private sector in the member countries and the role that the IDB Group may play in realizing this aim. The OIC Framework Agreement on the Trade Preferential System (TPSOIC) finally came into force and arrangements were made to start the first round of negotiations in Istanbul within one year.

The OIC task forces in the four priority sectors: intra-trade, training, health and literacy carried on their activities, with the support of the IDB, aiming at the full realization of the quantitative targets set for each sector. The IDB financed a number of activities to provide technical assistance and support in relation to accession of more member countries to the WTO and in capacity-building for those who are already members so that they may coordinate their positions in the WTO ministerial meetings and fully participate in the new rounds of negotiations.

The IDB also continued to develop its activities in support of the Islamic Banks and the National Development Financing Institutions and to expand its cooperation in different ways with the Regional and Multilateral Organizations. In this respect, the inauguration of the Islamic Financial Services Board (IFSB) in Kuala Lumpur, Malaysia in November 2002 is one of the major achievements realized with the active participation of the IDB. The Bank also convened the first Expert Group Meeting of Regional Organization on Promotion of Inter-regional Economic Cooperation, participated fully in the meeting of the Development Committee of the World Bank and IMF, and in the meetings of the Multilateral Development Financing Institutions to harmonize activities and procedures of these institutions in order to help enhance development impact. Furthermore, the IDB Live Data Base that has been set up in close cooperation, with and technical support from the World Bank, has become active.

Operations

Total financing approved by the IDB Group in 1423H amounted to about ID2.34 billion (US$3.08 billion) compared to gross approvals of ID2.27 billion (US$2.88 billion) in 1422H. This represents an increase of 3.0 percent. The approvals in 1423H were in support of 295 operations that included 106 Project Financing Operations, 26 Technical Assistance Operations, 125 Trade Operations, and 38 Waqf Fund (Special Assistance) operations.

Cumulative gross approvals of the IDB Group on all accounts reached ID26.59 billion (US$34.57 billion) as at the end of 1423H. The net cumulative approvals at the end of the year stood at ID23.44 billion (US$30.4 billion). Of these, 34.6 per cent financing was for project financing and technical assistance, 63.0 per cent for trade operations and about 2.0 per cent for Waqf Fund (Special Assistance) operations.

Nearly, 30 percent of the year's project financing and technical assistance by the IDB was allocated for use in the social sectors, mainly education and health, 22.3 percent for public utilities, 22.4 percent for transport and communications, 14.4 percent for agriculture and agro-industry, while the rest was accounted for by industry and the financial sector. Overall, 16.4 percent of the Bank's operations was allocated to the Least Developed Member Countries (LDMCs).

The amount co-financed by the Bank during 1423H totaled ID35.88 million (US$46.62 million) for 9 operations, which represents 42.6 percent of the total cost of the co-financed projects (US$109.51 million).

Overall during 1423H, the IDB Trade Financing Operations maintained the major jump achieved in 1421H. Total approvals increased from ID1.29 billion (US$1.64 billion) in 1422H to ID1.44 billion (US$1.89 billion) in 1423H, an increase of 9.7 percent.

In order to increase intra-trade among member countries, the Bank's ultimate annual target for trade finance has been set at US$2.0 billion since 1420H. To meet this target in 1423H, the Bank allocated US$1.20 billion from its own resources for the ITFO programme with the remaining amount of US$800 million was to be mobilized from external sources. In actual fact however, approvals amounting to US$227.2 million were made under the EFS and US$177.3 million and US$87.0 million under the IBP and the UIF respectively. Major commodities financed under these schemes were crude oil, fertilizer and industrial intermediate goods.

Total disbursements in 1423H under various financing facilities of the IDB Group amounted to ID1.36 billion (US$1.86 billion), compared to ID1.18 billion (US$1.49 billion) in 1422H. Cumulative disbursements on all accounts, since the Bank's establishment in 1396H, stood at ID16.44 billion (US$21.32 billion) at the end of 1423H.

Total repayments received during 1423H amounted to ID989 million (US$1.35 billion), of which ID172 million (US$236 million) was for funds and affiliated entities of the IDB. Cumulative repayments on all accounts at the end 1423H totaled ID12.93 billion (US$16.69 billion).

Activities of Affiliated Entities and Funds

In order to discharge its multifarious functions, the IDB has established a number of entities/funds within the IDB Group. The Islamic Banks Portfolio (IBP) approved 21 operations amounting to US$267.9 million, of which US$182.3 million was for trade finance. Over the same period, the Unit Investment Fund (UIF) approved operations worth ID137.45 million (US$188.3 million).

In 1423H, the ICIEC total insurance policies in force amounted to 70 and current commitments reached US$265 million. The Corporation paid 3 claims totalling US$4.72 million to policyholders and recovered US $1.0 million from claims paid in the previous year.

The IDB Infrastructure Fund has been established to make equity related investment in infrastructure projects and infrastructure-related industries in IDB member countries and to promote the use of Islamic fund in infrastructure projects. The first closing of the Fund took place on 6 December 2001 and institutions representing the existing investors of the Fund have already committed investment amounting to US$980.5 million.

The Islamic Corporation for the Development of Private Sector (ICD) was established in 1420H, with an authorized capital of US$1.0 billion, as an independent entity to deal with the private sector in the IDB member countries. During 1423H, the Corporation approved 11 projects amounting to US$60.47 million. The types of operations approved were Equity investment, Leasing and Installment Sale.

The Awqaf Properties Investment Fund (APIF) is a trust fund managed by the IDB as a Mudarib. Seven projects amounting to ID12.2 million (US$16.7 million) with APIF contribution were approved in 1423H.

During the year, the Islamic Research and Training Institute (IRTI) initiated eight in-house regular courses and edited four seminar proceedings on various matters related to Islamic finance. It also organized 12 seminars and 24 training programmes and made significant progress toward launching the Islamic Information System on a Website for access through the Internet. The Institute also continued to carry out other professional activities during the year such as contributing to the capacity building of various institutions in member countries in the areas of Islamic economics, banking and finance, supervising the activities related to the award of the IDB Prize and inviting eminent Shari'ah scholars to deliver lectures at the IDB headquarters.

Under the IDB Sacrificial Meat Utilization Project of the Kingdom of Saudi Arabia, 629,700 animals (sheep, cows and camels) were slaughtered during the Hajj in 1423H. Of these, 377,700 were distributed locally amongst the poor, while 252,000 were distributed outside the Kingdom of Saudi Arabia.

During 1423H, the International Centre for Biosaline Agriculture (ICBA) developed seven projects in collaboration with both the public and private sectors in Islamic countries in the areas of fisheries, wildlife, environment and petroleum development and water technology. On the technical front, ICBA prepared and implemented eight projects in the areas of plant production and management and the acquisition of plant genetic resources.

Corporate and Financial Performance

By the end of 1423H, IDB membership reached 54 countries. The Board of Governors approved the request of the Republic of Cote d'Ivoire to join the Bank s membership. Having fulfilled the terms and conditions recommended by the Board of Governors,. Cote d'Ivoire became a member of the Bank .

The 27th Annual Meeting of the Board of Governors was held in Ouagadougou, Burkina Faso, on 16-17 Sha'baan 1423H (22-23 October 2002). A major decision taken by the Board of Governors was the adoption of the Ouagadougou Declaration on IDB Group Cooperation with Africa and directed the Board of Executive Directors to make all the necessary arrangements to implement the provisions of the Declaration.

The Board of Executive Directors (BED) held seven meetings during 1423H in which it examined and made decisions on over 400 agenda items relating to operations, policy and information..

The net income of the Bank increased from ID72.91 million (US$92.42 million) in 1422H to ID73.45 million (US$100.63 million) in 1423H.

Members' Funds increased from ID3.77 billion (US$4.73 billion) in 1422H to ID3.90 billion (US$5.34 billion) in 1423H. Paid-up capital increased by ID52 million (US$71.24 million) to ID2.677 billion (US$3.85 billion) in 1423H.

The Bank supplements its standard financial resources by mobilizing funds through different Shari'ah compatible schemes and financial instruments. By the end of 1423H, the Bank had raised a sum of US$325 million through the IDB Unit Investment Fund, US$100.0 million through the Islamic Banks Portfolio for Investment and Development, US$133.5 million through the Export Financing Scheme and a further US$130.15 million through the Investment Deposit Scheme.

In addition, the Bank launched US$300 million International Islamic Sukuk as part of its resources mobilization strategy. Twenty-four projects have been conceptually cleared for financing using Sukuk fund.

An important milestone in the course of 1423H was the assigning of the triple A (AAA) long-term rating to the Bank by the Standard & Poor s (Box 1). This rating would enable the Bank to tap the international market for raising resources to meet the diverse and increasing financing needs of its member countries.

Box 1
IDB-Credit Risk Assessment

In April 2003, the Bank for International Settlements released the new Basel Capital Accord (the Basel II Accord). Under the revised draft of the Basel II Accord, to be implemented in 2006, the IDB has been included in the category of zero-risk weighted multilateral development banks (MDBs). Other MDBs eligible for zero-risk weight are the World Bank Group, Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the European Investment Bank, the Nordic Investment Bank, the Caribbean Development Bank, and the Council of Europe Development Bank.

In December 2002, the Standard and Poor s, a leading credit risk rating agency, added IDB to coverage, assigning its AAA long-term and A-1+ short-term foreign currency counter party credit ratings. The Standard and Poor s also described the outlook on the long-term rating of the IDB as stable .

PART I

Economic Overview And Prospects

Agriculture is one of the priority sectors of IDB financing.

Chapter 1

World Economy, Major Developments and Member Countries

A.N. Syzganov s Scientific Center of Surgery in Almaty. The Bank has extended about US$ 12.5 million to the health sector in Kazakhstan by way of loan and installment sale.

HIGHLIGHTS 1423H

World Economy

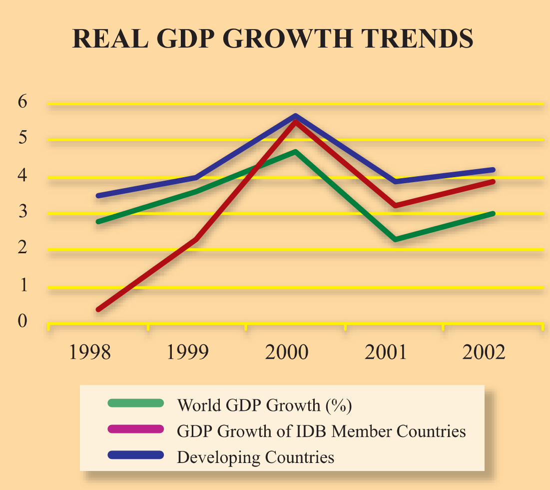
- Cyclical rebound in GDP and trade growth in 2002
- Slow GDP growth of 3.0% in 2002, 2.3% in 2001
- The 2002 recovery less uniform across regions
- Trade growth rose from -0.1% in 2001to 2.1% in 2002

IDB Member Countries

- GDP growth rose slightly from 3.2% to 3.9%
- External debt stock increased by US$17.0 billion to US$882 billion
- Net FDI continued to decline

Major Issues/Developments Relevant to IDB Member Countries

- Progress in achieving the millennium development goals
- Trends in international capital flows
- Debt relief initiatives
- Development agenda of the Doha WTO Ministerial Conference
- Implications of EU expansion
- NEPAD and IDB cooperation with Africa
- Challenges to develop Islamic banking and finance



I. PERFORMANCE OF THE WORLD ECONOMY[1]

This chapter summarizes major features of the world economy and emerging global economic issues in 2002, reviews current developments in IDB member countries based on short-term outlook and forecast of the major economic indicators, and conclude by highlighting some of the major challenges and events that could significantly impact the global economy. Recent IMF data suggest that global growth recovered from the aftermath of the September 11, 2001 events and its ensued recession. GDP growth increased to 3.0 per cent in 2002 and a further pick-up is expected in 2003-04. The rebound of the world economy and its performance in 2002 are discussed in the following section, with emphasis on recorded growth in output, trade, major commodity prices, inflation, interest rates and exchange rates.

1. World Output and Growth

The global economy experienced a short-lived mild recession in 2001, which resulted from a series of concurrent shocks such as the events of September 11, 2001, the corporate failures in the United States and the geopolitical risks of a prolonged Middle-East conflict. Despite major shocks and other adverse developments, such as the deflation in Japan, global GDP growth recovered from 2.3% in 2001 to 3.0% in 2002.

The global recovery started in late 2001 with trade and industrial production picking up across the world led by the world's largest economy, the United States. In the US, GDP expanded by 2.4% after a low growth of 0.3% in 2001 when the economy was in recession. The pattern of GDP growth in 2002 was uneven quarterly and across geographic regions of the world. GDP growth in the US rose as high as 5% in the first quarter (annualised rate), fell to 1.3% in the second quarter, rose back to 4% in the third quarter, and slowed once more to 1.4% in the fourth quarter, which was higher than previous estimates by the US Department of Commerce. The 1.4% growth rate was twice the previous estimated pace, due to a 1.5% increase in consumer spending and the fastest rate of business spending in two years.

The initial recovery in the US economy was due to a number of factors ranging from monetary easing, and

[1]Data used in this section are drawn from the IMF' World Economic Outlook, April 2003.

fiscal stimulus, to a technical rebounding in the high-tech industrial sector. Double-digit growth in the US government spending, driven mainly by security, defense and reconstruction efforts, coupled with monetary easing, were sufficient to turn the US GDP growth to 2.7% during the fourth quarter of 2001 and 5% in the first quarter of 2002. Inventory investment during the first quarter accelerated the GDP growth by 2.2 percentage points in the US. Similarly, the US consumers benefited from historically low interest rates to boost consumption, particularly of durable goods. During the first half of 2002, GDP grew at a 3% annual rate, forcefully driven by domestic demand, despite a decline of 1.5% in net exports to the US.

So far, domestic demand growth has been relatively weak outside North America and the United Kingdom (UK). The second world's largest economy, Japan, which suffered a steep decline for three consecutive quarters, broke away from a negative growth rate during the first half of 2002. Most recent indicators suggest that economic activity accelerated modestly over the first half of the year, to the extent that output increased by 2.5%, of which foreign trade contributed 1.8-percentage points. With persisting deflation throughout the year, real GDP fell to nearly 0.3% in 2002 as a whole, before staging a modest 1% projected growth in 2004. GDP growth rates in the third world's largest economy, the Euro area, was 0.8% in 2002, supported mainly by growth from net exports, with exports gradually rising but imports falling. Weakness of imports was reflected in the subdued private consumption and the sluggish area-wide investment spending.

The significant recovery of more than 1.8% GDP growth in the economies of advanced countries in 2002 remains critical to ensuring and sustaining global and regional growth, particularly in developing countries[2]. Developing countries, as a whole, registered a GDP growth of 4.6% during 2002, higher than the 3.9% of last year. The uneven growth in 2002 showed little resemblance to the uniform recovery that would normally be expected after an almost synchronized global recession in 2001. Instead, it displayed wide regional differences, ranging from a disappointing performance in the Western Hemisphere with GDP declining by 0.1% (including Argentina where GDP declined by 11%) to a strong recovery in emerging Asia with GDP growth exceeding 6%[3]. Continued solid expansion in China and recovery in most other East Asian and Pacific countries suggest that growth would continue to surpass its current level throughout 2003-04. With formerly Centrally planned Asian Economies leading the growth trajectory (including China with GDP growth at 8.0%), South Asia grew by 4.7%, the Middle East and Turkey grew by 4.5%, and the other regions grew by less than 4 per cent in 2002. Growth rate in the Middle East and Turkey revived as hydrocarbon output increased in line with global energy demand. GDP growth for Africa declined slightly from 3.6% in 2001 to 3.4% in 2002, still on the positive per capita growth path, however, it was not sufficient enough to achieve the poverty-reducing rate of 7%. Nonetheless, robust recovery is anticipated for African trade volumes accompanied by favorable non-oil commodity prices.

2. World Trade and Commodity Prices

With the economic recovery underway and a turnaround in high-tech markets in industrial countries in 2002, world trade in goods and services increased in volume by 2.1%, while recovering from a negative growth of 0.1% during 2001. The growth of exports in advanced economies rose from -1.1% to 2.0% during this period, while those of Asia and countries in transition exceeded 6.0%, much more than expected. The growth of exports in developing Asia rose from 1.6% to 7.2% and for the developing countries as a group from 3.3% to 5.1%.

World trade prices in US dollars increased during 2002 for all major categories of exports: primary commodities, oil, and non-fuel primary commodities. The overall index of primary commodity prices in US dollars rose by over 3.0%. For oil the increase was 2.8% and for non-fuel primary commodities the average prices (based on world commodity export weights) recorded an increase of 3.8%. The modestly firming trends in both oil and non-oil commodity prices in 2002 reflect the subdued recovery. Most of the increase in non-oil primary commodity prices in 2002 was due to a surge in food, beverage, and agricultural prices. Although the increase in primary commodity prices partly reflected the global recovery, it was mostly due to adverse weather conditions in parts of North America, Australia, Brazil, and Africa. The rise in agricultural prices was mainly due to

[2] Twenty-nine economies are classified by the IMF as "advanced economies", while the remaining 125 countries, for which data is available, constitute the developing countries, as shown in the IMF World Economic Outlook, April 2003, Washington, DC.

[3] Emerging Asia includes developing Asia, newly industrialized Asian economies, and Mongolia, as defined in the IMF, World Economic Outlook, April 2003.

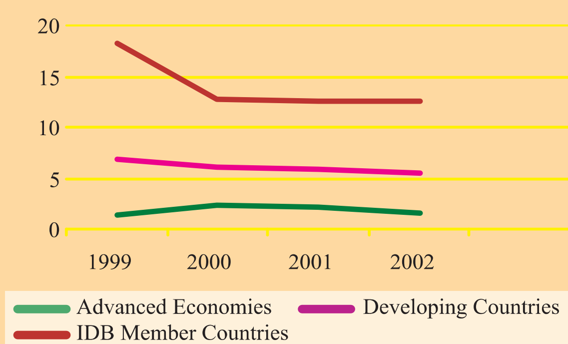
specific supply disruptions, emanating from the civil strife in Cote d'Ivoire that jeopardizes cocoa production, combined with droughts in Australia, Canada, and the US that boosted wheat prices, rather than a sign of rising demand. In addition to adverse weather conditions during 2002, there were consequent declines in the global stock of grains, thus leading to a further increases in grain prices. Fluctuations in prices and supply of grain, including wheat, rice, corn, sorghum and millet, have serious implications for food security in IDB member countries. The IDB is preparing an Occasional Paper on these issues.

The surge in metal and mineral prices that started in October 2001, which is normally strongly correlated with the business cycle, stalled in the second quarter of 2002 and it was estimated to increase by 0.5% for the year. Stocks of key metals remained at historical levels and supply was relatively stable in 2002. However, the main factor driving metal prices would primarily be the sustainability and prospects for global industrial production. Similarly, crude oil prices have been influenced by the world demand and supply conditions, including global inventories. A combination of improved global recovery, cuts in OPEC production targets and political uncertainty in the Middle East caused OPEC's reference prices to exceed their price band of US$22-US$28 in 2002. Indeed, recent price fluctuations have been significantly driven by political events in the Middle East and Venezuela, owing to their implications for supply disruption and depletions of global stocks, rather than to an actual shortage of supply. Crude oil prices increased steadily in 2002 and early 2003 from under US$20 a barrel in late 2001 to about US$34 a barrel in early March 2003. The possibility of further sharp increases in oil prices, as witnessed during the first quarter of 2003 and future prices rising markedly by about US$8 a barrel over 12-month futures contracts given the geopolitical uncertainty arising from a prolonged Middle East war, will have serious impacts on global output. Since some IDB member countries from the Middle East, Africa, Asia and CIS are oil exporters, changes in oil prices will have major implications for their export earnings. Indeed, high oil prices helped several oil exporters to improve fiscal balance as well as real GDP growth in 2002; with GDP growth reaching 10.6% in Azerbaijan and 6.0% in Iran. The fluctuations in oil prices and their implications for the global economy are discussed in Section I (4).

3. Inflation, Interest Rates, and Exchange Rates

Measured by the annual change in consumer prices, world inflation in 2002 was at its lowest level approaching zero in some industrialized countries and a record low one-digit rate for the first time since the 1970s in a few other developing countries. For advanced economies, the inflation rate was 1.5% in 2002, compared with 2.2% during the recession of 2001 (Figure 1.1). Among the major advanced economies, Japan was the only country that continued to experience deflation for the fourth successive year, with consumer prices declining further by 0.9% during 2002. In the US, the inflation rate declined from 2.8% in 2001 to 1.6% in 2002, while in the Euro area the corresponding figures were 2.6% and 2.3%, respectively.

FIGURE 1.1
WORLD INFLATION



Similarly, the inflationary pressures across other regions were subdued in 2002. Inflation rates in developing countries as a whole marginally declined from 5.8% in 2001 to 5.4% in 2002. However, concomitant with the wide regional growth differences within the developing countries, inflation varied among different regions: ranging from 16.4% in the Middle East and Turkey to 1.9% in developing Asia. Countries in Africa registered a single-digit inflation rate of 9.3% in 2002 for the first time in three decades, and lower than the previous year level of 13.0%.

The policy-related interest rates in the major advanced economies continued their declining trend throughout 2002[4]. In the case of the US, the rate declined from 1.8% in 2001 to 1.2% in 2002, while in Japan the rate

[4]Policy-related interest rates include the following: the US federal fund rates, Japan's official discount rate, the Euro area's main refinancing rate, Canada's overnight money market financing rate, and the UK's base money rate, etc.

stagnated at zero per cent. In relative terms, the policy-related interest rate was high in the Euro area, where it averaged 2.8% in 2002, lower than its average rate of 3.3% in 2001. The short-term and long-term interest rates in advanced economies declined during 2002 as compared to the previous year. The short-term interest rate declined from 3.2% in 2001 to 2.1% in 2002, while the long-term interest rate marginally declined form 4.4% to 4.2% during the same period. The average short-term interest rate in the US, Japan, and the EU in 2001 was 3.5 per cent, zero per cent, and 4.2 per cent, respectively. The corresponding figures for the long-term interest rates in these economies were 5.0 per cent, 1.3 per cent, and 5.0 per cent respectively. That is, long-term interest rates had fallen in the Euro area and Japan less than in the US. Lower real interest rates and a weaker dollar boosted economic growth in the US. Real effective exchange rate in the US depreciated by 0.5% in 2002[5]. In contrast, real effective exchange rates in the Euro area appreciated during the same period by 2.4%. Consequently, GDP growth rate eroded in the Euro area due primarily to the appreciation in the real effective exchange rate. Available data on nominal exchange rates indicate that between 2001 and 2002 the average value of most major currencies appreciated against the US dollar. The US dollar lost its value against the Swiss franc by 7.6%, the pound sterling by 4.1%, the Australian dollar by 4.8%, and the Euro by 5.1%.

4. Major Developments Affecting the World Economy

Some of the major challenges and events that took place during the year and had far reaching economic implications were: (a) sustaining the global economic recovery that started in the fourth quarter of 2001 and the first quarter of 2002, (b) geopolitical uncertainties such as the prospects of a prolonged Middle East war or fear of further attacks elsewhere, and (c) higher oil prices.

Macroeconomic stimulus, accumulation of fixed investment and a rebounding in high-tech markets in industrial countries initiated the global recovery during the fourth quarter of 2001 through the first quarter of 2002, and, in turn, transmitted a broader economic growth throughout the other regions of the world. Indeed, developing countries faced favorable conditions during the early part of 2002, which was characterized by historically low inflation and interest rates, increasing trade, and rising commodity prices. Despite a positive environment and strong GDP growth during the first half of 2002, the lack of rebounding in fixed investment across industrial countries and increased financial uncertainties (emanating from corporate scandals in the US and bankruptcies in Europe and Latin America) coupled with less favorable conditions for developing countries, growth decelerated during the third quarter. By the end of the third quarter, as investment was bottoming out in both high-income and developing countries, consumer spending was buoyant and productivity improved in major industrial countries, notably in the US, the recovery received an impetus during the fourth quarter of 2002.

Although the recovery is expected to continue in the medium to immediate term, albeit slower than earlier anticipations, there are a number of supportive factors, which continue to sustain the growth momentum. These include faster growth in regions and countries with current account surpluses, a rebounding in investment, and stimulative and structural policies in major industrialized countries. Global and regional growth depend on growth in the largest three economies: the US, Japan and the Euro area. Indeed, the highest productivity growth in the US since the 1950s, coupled with fiscal and monetary stimulus, contributed significantly to the current global recovery. However, with deteriorating twin deficits (government budget and BOP current account) and low interest rates in the US in 2002, there is limited scope for further fiscal stimulus or monetary ease to accelerate growth.

On the other side, the economies of Japan and the Euro area are growing below their growth potentials and slower than in the US. According to the IMF, faster growth in the Euro area and Japan would be highly desirable to reduce, *inter alia*, over-dependence of global growth on conditions in the US. Macroeconomic aggregates suggest that current account balances rose to their highest levels in the post-war era. Growing global imbalances were noticeable in the large US current account deficit of US$503.4 billion (or 0.8% of its GDP) in 2002 and the significant surpluses in Japan at US$112.8 billion (2.8% of its GDP), developing Asia at US$51.2 billion (or about 7% of GDP), and to a lesser extent the Euro area at US$72.1 billion (2.8% of GDP) in 2002. Historical evidence also suggests that large balances

[5]Real effective exchange rate is defined as the ratio, in common currency, of the normalized unit labor costs in the manufacturing sector to the weighted average of those of its industrial country trading partners, using 1989-91 trade weights.

could be reversed rapidly and with potentially disruptive changes in exchange rates and financial markets. One way of reducing the risk of disorderly adjustment of the prevailing current account balances would be through inducing higher economic growth in areas with current account surpluses, particularly the Euro area and Japan. For the Euro area, domestic demand in 2002 was low and insufficient to fuel the recovery. Recent action by the European Central Bank (ECB) to lower interest rates in the Euro area was intended to boost domestic demand. The European Commission also postponed the deadlines for balancing national budgets from 2004 to 2006, imposed by the European Monetary Union Growth and Stability Pact[6].

Persistent deflation in Japan hindered private consumption and investment, and in turn, fed expectations and pessimism about the country's economic prospects. Historical evidence from the past century shows that no major economy has enjoyed sustained growth under persistent deflation. According to the IMF, restoring positive inflation is necessary for recovery in Japan, combined with broad economic restructuring of the banking and corporate sectors to boost private consumption and investment. Investment growth is also needed in both developed and developing countries in order to accelerate growth and broaden recovery that started in 2002.

On the supply side, the three main events affecting the current regional recovery are the geopolitical situation arising from the prospects of a prolonged Middle East war and fear of terrorist attacks elsewhere, other uncertainties including the recent outbreak of the Severe Acute Respiratory Syndrome (SARS), and prevailing oil prices. There are direct and indirect economic impacts of attacks and war on the current recovery. The direct impact would be felt most on the disruption of industries and services sector such as tourism, coercion of resources from productive to consumptive activities, mainly security and defense, and the rising costs of security, surveillance and insurance premiums. More generally, with the heightened perception of risk from war and attacks, investment decisions across many sectors of the economy would lower aggregate growth.

According to a recent IMF estimate, the recent outbreak of SARS would have an adverse effect of perhaps about 0.4% of GDP growth in emerging Asia if the epidemic would last for one quarter in 2003. In particular, the effects of incipient SARS epidemic had a deleterious impact on tourism, trade and the transport sectors. The slowdown in these sectors, coupled with geopolitical uncertainties have significantly affected primary commodity prices, as already witnessed in the recent fluctuations in oil prices. The combined expectations of a supply shock in the Middle East and reduction of crude oil stocks, particularly in the US, pushed crude oil prices to more than the OPEC's targeted price of US$22-US$28 in 2002.

With continued tensions in the Middle East and the possibility that 2 million barrels per day of Iraqi exports may have been lost during the war, oil prices might rise well above its current level, partly because of low stocks and tight market conditions. Actual and prospective development in the demand for oil also explain some of the increase in crude oil prices over the past year throughout the first quarter of 2003. Colder-than-expected weather in the Northern Hemisphere and substitution of oil for nuclear energy in Japan have increased oil consumption during recent months. According to the International Energy Agency (IEA), oil consumption growth is projected to rise by more than 1% in 2003, indicating that crude oil prices would be higher in the early 2003 than in 2002. Nonetheless, oil prices continue to be closely associated with geopolitical developments in the Middle East, and to a lesser extent in Nigeria and Venezuela, and their impact on crude oil supply. Hence a prolonged Middle East conflict, especially with the present low level of global oil inventories, would exert upward pressure on oil prices. If this situation should materialize, a US$5 sustained increase in oil prices, *ceteris paribus*, would yield on a cumulative basis a fall in global growth of 0.3% during the medium term outlook, according to an IMF estimate. In addition, inflation and interest rates in industrial countries would increase by 0.2 and 0.1 percentage points, respectively. Uncertainties in the oil markets would slow, rather than boost, the momentum of the recovery that began in late 2001 and the start of 2002. Despite these concerns, the IMF still remains cautiously optimistic about the ongoing global recovery. The near term projections of growth are discussed in Section II (6).

II. ECONOMIC PERFORMANCE OF THE IDB MEMBER COUNTRIES

The current performance and future prospects in IDB member countries are influenced by a combination of

[6]France, Germany, Italy and Portugal are now approaching the current limits of a 3% of GDP deficits.

global developments, particularly in the major industrial countries which, to a large extent, set the stage for the developing countries, regional security situation, and oil market developments. However, the impact and relative importance of these factors vary widely among these countries. Similar to the growing divergences in other regions, the growth pattern of the IDB member countries was uneven in 2002. It was high and rebounding in member countries from Asia and oil-exporting countries, while slowing and at times weakening in member countries from Africa and the CIS. In this context, the economic performance of IDB member countries is reviewed in terms of their GDP growth, savings and investments, inflation, trade and external debt.

1. Real GDP Growth Rates

Concomitant to the development in developing countries as a group, the real GDP growth rate of IDB member countries increased from 3.2% in 2001 to 3.9% in 2002 (Table 1.1). Although the overall economic performance of member countries, in terms of GDP growth rate, was higher than the average growth rate for the world as a whole since the turn of the century, the former continued to remain below the average for developing countries (Table 1.1 and Chart 1A). The GDP growth rate for developing countries as a group increased from 3.9% in 2001 to 4.2% in 2002. However, the average GDP growth rate masked significant differences among these countries. While the 2002 recovery in developing countries was driven by external demand, its sustainability would depend on the prospects for the continuity of a global recovery, particularly for the IDB member countries. Thus the impact of the global economic development was much more pronounced in member countries than in developing countries as a whole.

Among other things, the geopolitical situation arising from the Middle East war, terrorist attacks, the spread of SARS, and the risk of higher energy prices were cited by the IMF as the main supply factors that affected the current recovery. For example, economic prospects strengthened following recovery in tourism in Egypt and Indonesia in 2002. Similarly, Morocco returned to improved growth rates following the drought of 2001. In the case of oil, the average price was higher than the OPEC targeted price of US$ 22-28 per barrel in 2002. However, the positive impact of the increases in oil prices was associated with the possibility of military conflict. The latter represents a downside risk for oil-exporters in IDB member countries, particularly in the Middle East. According to the IMF, GDP growth across these countries is expected to rise in 2003, particularly if global output strengthens, oil prices remain firm and security tension is eased.

The IDB Least Developed Member Countries (LDMCs) were able to stabilize their past economic performance around an average GDP growth rate of 5.2% during the early 2000s. GDP growth rate marginally declined from 5.3% in 2001 to 5.1% in 2002. During the past few years, these countries continued to out-perform the other IDB member countries as a group (Table 1.1). While the strongly performing member countries had benefited from the strengthened global recovery of 2002, their economic growth would be partially offset by a combination of internal and external factors. The latter would include developments in commodity prices, which constituted the main driving force of economic performance in most LDMCs. Although rising non-oil commodity prices in 2002 benefited these countries, increases in oil prices weakened their economic prospects, particularly for oil-importers. Of the 54 IDB member countries 23 countries are classified as LDMCs, and of these 13 countries are implementing adjustment programs under various agreements with the IMF[7] .

2. Inflation

Measured by the annual percentage change in consumer prices, the inflation rate in advanced, as well as major regions in developing countries, registered a significant decrease during 2002. The inflation rate in IDB member countries significantly declined from 12.6% in 2001 to 11.5% in 2002 (Table 1.1) and Chart 1B). Despite the declining trend of the inflation rate in IDB member countries during the past few years, its magnitude was more than double the inflation rate in both the industrial and developing countries, during the same comparable period.

Unlike the declining trend in other regions of the world, the inflation rate in LDMCs rose from 5.2% in 2001 to 5.9% in 2002, however, it was projected to marginally decline to 5.8% in 2003 (Table 1.1). The increases in the inflation rates in LDMCs were attributed largely to the surge in energy prices in 2002 and to a lesser extent the widening twin deficits in these countries.

[7]These countries are: Benin, Burkina Faso, Cameroon, Chad, Djibouti, Guinea, Guinea Bissau, Mali, Mauritania, Mozambique, Niger, Senegal, and Sierra Leone.

3. Saving and Investment Rates

The importance of savings and investment in economic development is well established, particularly for developing countries. Indeed, saving and investment cycles during the past five years were more volatile than GDP, as witnessed in East Asia, Latin America and the CIS. Despite the declining or stagnating trends in domestic savings of developing countries, including IDB member countries, there have been serious efforts during the early 2000s in these countries to mobilize additional resources for investment. In fact, resource mobilization and the promotion of investment, both domestic and foreign, are now the crosscutting issues of the macroeconomic and development policies worldwide, notably in IDB member countries, as alluded to in Section III.

Table 1.1 also gives statistics on national saving rates, gross fixed capital formation, gross private capital formation, and net inflow of foreign direct investment in IDB member countries and developing countries for the period 1998-2002. Similar to the developing countries as a group, the national savings rate of IDB member countries as a percentage of their GDP marginally decreased or stagnated at 23.6% in 2001-2002, reversing the trend of the late 1990s. In contrast, savings as a percentage of GDP continued its upward trend to reach the level of 16.8% in the LDMCs. In comparison with developing countries as a whole, the ratio of savings to GDP in IDB member countries continued to lag behind and stayed low during 1998-2002. However, the savings gap was marginally narrowing between the developing countries as a group and the IDB member countries, from 3.2% in 2001 to 3.1% in 2002. Similarly, the gap narrowed between the IDB member countries as a group and the LDMCs, from 10.4% in 2001 to 9.9% in 2002.

Unlike other developing countries, the increasing and or stagnating savings-to-GDP ratio in 2002 increased the ratio of gross fixed capital formation (investment) to the GDP of member countries in 2002. Investment-to GDP ratio increased in IDB member countries as a group from 21.0% in 2001 to 21.5% in 2002. As with savings, the gross fixed capital formation GDP ratio of member countries has been substantially below the levels attained by other developing countries. However, this gap narrowed during the last year. The difference was 4.3% in 2002, compared with 4.9% in 2001. In the case of LDMCs, the investment/GDP ratio showed a significant improvement in 2002, when it increased to 22.2% from its previous year's level of 20.7%. Consequently, the gap between the IDB member countries and LDMCs narrowed from 5.2 percentage points in 2001 to 3.6 percentage points in 2002.

Unlike the developing countries as a group, the declining trend in private capital formation in member countries in 2000 and 2001, has been reversed during 2002. As a percentage of GDP, private capital formation in member countries marginally increased from 14.0% in 2001 to 14.1% in 2002. In the case of developing countries, private capital formation as a percentage of GDP marginally declined from 15.2% in 2001 to 15.1% in 2002. However, the declining trend in private capital formation in LDMCs, which has been a source of concern during the late 1990s had been reversed during the 2000s. As a percentage of GDP, it increased from 15.4% in 2001 to 16.8% in 2002.

As far as foreign direct investment (FDI) is concerned, recent statistics show that the net inflow of FDI in IDB member countries was low relative to other developing countries and was declining during 1998-2000. The net inflow of FDI in member countries as a percentage of their GDP was 1.1 per cent in 1998, marginally declined to 1.0 per cent in 1999 and dropped further to 0.8 per cent in 2000 (Table 1.1).The corresponding figures for the developing countries were respectively 3.0 per cent, 3.2 per cent, and 2.6 per cent. However, net flow of FDI as percentage of GDP increased in 2001: to 2.8% for the developing countries as a group, 1.2% for IDB member countries and 1.7% for LDMCs.

4. Trade and Current Account Balances

The trade balance of IDB member countries has shown improvement in the past few years. As a percentage of GDP, the trade balance reached the very low level of 0.2 per cent in 1998. This was the year when the prices of non-fuel primary commodities in developing countries had declined by more than 16 per cent and the average price of oil had declined by 32 per cent. Member countries saw the value of their merchandise exports reduced by almost US$62 billion. Recovering from the effects of the Asian financial crisis, along with an increase in oil prices and improvement in overall terms of trade, the member countries' trade balance started improving in 1999, reaching the level of US$60.9 billion, which was equivalent to 4.7 per cent of their combined GDP. In 2000, there was an improvement in the prices of non-fuel primary

TABLE 1.1
HIGHLIGHTS OF THE ECONOMIC PERFORMANCE OF IDB MEMBER COUNTRIES

	1998	1999	2000	2001	2002	Projections 2003
Real GDP Growth Rates (%)						
All IDB Member Countries	0.4	2.3	5.5	3.2	3.9	4.7
IDB LDMCs	5.4	5.6	5.3	5.3	5.1	5.1
All Developing Countries	3.5	4.0	5.7	3.9	4.2	5.2
National Saving Rates (% of GDP)						
All IDB Member Countries	19.5	21.0	24.5	23.6	23.6	24.6
IDB LDMCs	14.0	14.5	15.8	16.4	16.8	17.1
All Developing Countries	25.7	25.7	27.4	26.8	26.7	26.9
Gross Fixed Capital Formation (% of GDP)						
All IDB Member Countries	23.1	21.4	20.8	21.0	21.5	21.8
IDB LDMCs	18.9	19.5	20.2	20.7	22.2	22.7
All Developing Countries	25.7	25.1	25.3	25.9	25.8	26.3
Gross Private Capital Formation (% of GDP)						
All IDB Member Countries	16.3	15.0	15.3	14.0	14.1	14.3
IDB LDMCs	13.9	13.5	14.7	15.4	16.8	17.1
All Developing Countries	16.5	15.5	16.0	15.2	15.1	15.7
Inflation (%)						
All IDB Member Countries	28.4	18.3	12.8	12.6	11.5	9.3
IDB LDMCs	8.8	6.7	5.1	5.2	5.9	5.8
All Developing Countries	10.5	6.9	6.1	5.7	5.6	6.0
Current Account Balance (% of GDP)						
All IDB Member Countries	-2.0	1.7	5.8	4.6	2.0	1.3
IDB LDMCs	-5.2	-5.3	-4.6	-5.0	-6.1	-6.3
All Developing Countries	-1.7	-0.2	1.2	0.7	0.4	0.0
FDI Net Inflows (% of GDP)*						
All IDB Member Countries	1.1	1.0	0.8	1.2	n.a	n.a
IDB LDMCs	1.1	1.4	1.2	1.7	n.a	n.a
All Developing Countries	3.0	3.2	2.6	2.8	n.a	n.a
Trade Balance (% of GDP)						
All IDB Member Countries	0.2	4.7	9.4	8.1	5.8	5.0
IDB LDMCs	-6.8	-6.0	-4.1	-4.4	-5.0	-5.1
All Developing Countries	0.1	1.8	3.2	2.6	2.4	2.0
External Debt (US$ billion)						
All IDB Member Countries	855.0	872.2	880.2	865.2	882.2	897.5
IDB LDMCs	82.2	83.5	82.2	86.9	91.5	96.5
All Developing Countries	2182.2	2223.1	2199.3	2171.0	2200.8	2207.8
Debt Service-Exports Ratio (%)						
All IDB Member Countries	22.6	18.8	15.7	17.7	15.5	15.6
IDB LDMCs	15.6	14.6	13.5	13.3	12.0	12.0
All Developing Countries	27.2	27.3	22.4	22.8	20.6	20.0

Source: Data supplied by the International Monetary Fund, April 2003.
Note: (1) There are 23 LDMCs: Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Djibouti, Gambia, Guinea, Guinea Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, and Yemen. As a special case, the State of Palestine is also treated as an LDMC by the IDB.
(2) Inflation is measured by the annual percentage change in the consumer price index.
* Calculated by the IDB staff from the World Bank, World Development Indicators (WDI) on line.
Abbreviations n.a. means not available.

commodities, the price of oil increased by 57.0 per cent and the overall terms of trade in developing countries improved by more than 7 per cent. As a result, the trade balance of IDB member countries as a percentage of their GDP reached, for the first time in recent years, its peak level of 9.4 per cent. However, this level could not be sustained, and continued its declining trend throughout 2002 to 5.8 per cent.

Although developing countries exhibited a similar declining trend in their trade balance, the overall performance of IDB member countries as a group has been better than that of the developing countries as a whole. The trade balance of developing countries as a percentage of their GDP was 1.8 per cent in 1999, peaked at 3.2 per cent in 2000 and then declined to 2.6 per cent in 2001 and 2.4 per cent in 2002. In contrast, the balance of trade in LDMCs has continued to remain negative. As a percentage of their GDP, it improved from -6.0 per cent in 1999 to -4.1 per cent in 2000 but continued to widen afterwards from -4.4 per cent in 2001 to -5.0 per cent in 2002.

Similarly the current account balance of LDMCs exhibited the same pattern between 1998 and 2002: improving between 1999 and 2000, worsening afterwards and thereafter continued to be negative. As a percentage of GDP, the current account balance of LDMCs improved from -5.3 per cent in 1999 to -4.6 per cent in 2000 and then widened to -5.0 per cent and -6.1 per cent in 2001 and 2002, respectively. By contrast, current account balance for IDB member countries increased as a percentage of GDP from 1.7 per cent in 1999 to 5.8 per cent in 2000 and then dropped to 4.6 per cent and 2.0 percent in 2001 and 2002, respectively. Again, as was the case with trade balance, the overall performance of IDB member countries as a group in terms of current account balance is better than that of all developing countries. The current account as a percentage of GDP for the latter was 1.2 per cent in 2000, 0.7 per cent in 2001 and 0.4 per cent in 2002.

5. External Debt

The total external debt of IDB member countries continued its upward trend and stood at US$882.2 billion at the end of 2002 compared to its previous year's level of US$865.2 billion (Table 1.1.). In percentage terms this increase was equivalent to 1.7 percent. In the case of LDMCs, the external debt increased from US$86.9 billion in 2001 to US$91.5 billion in 2002 or by 5.3 per cent. The debt stock of all developing countries increased by US$29.8 billion from US$2171 billion in 2001 to US$2200.8 billion in 2002, an increase of only 1.4 per cent.

A more detailed list of the member countries' debt from a separate data set is given in Table 1.2, which includes statistics on the major components of external debt such as bank loans, multilateral claims, official bilateral loans, debt securities issued abroad, Brady bonds, and non-bank trade credits. In terms of changes in the composition of debt, the data shows that during 2001 there was an increase in only debt securities issued abroad, while there was a decrease in Brady bonds, multilateral claims, official bilateral loans, bank loans and non-bank trade credits. The magnitude of these changes were as follows: bank loans, US$-22,613 million (-9.6 per cent); debt securities US$3,377 million (6.5 per cent); multilateral claims, US$26,990 million (24.6 per cent); official bilateral loans, US$4,838 million (5.8 per cent); non-bank trade credits, US$2,759 million (4.0 per cent); and Brady bonds US$87million (3.0 per cent). External debt in IDB member countries continued to accumulate during 2002, for which data is available, in almost all its components, except Brady bonds. Member countries were able to retire US$27 million (less than 1 per cent) during the first half of 2002.

6. Projections for 2003-2004[8]

According to the IMF projections, world output is expected to grow by 3.2 per cent during 2003 and by 4.1 per cent in 2004. The forecasts for the world's advanced economies are 1.9 per cent and 2.9 per cent in 2003 and 2004, respectively. The corresponding growth rates for developing countries are 5.0 per cent and 5.8 per cent, respectively.

Projections of selected macroeconomic variables for 2003 for IDB member countries and LDMCs are also given in Table 1.1. These projections are based on data provided by the IMF. According to these projections, the real GDP of IDB member countries is expected to grow by 4.7 per cent in 2003. The trade balance of member countries as a percentage of their GDP, which had dropped from 8.1 per cent in 2001 to 5.8 per cent in 2002, is expected to decline to 5.0 per cent in 2003. In the case of current account balance, the projections show a similar trend. The current account balance as a

[8] The projections reported in this section are based on IMF data. Using its own econometric model, the IMF regularly makes projections for its World Economic Outlook report. The projections reported here reflect the application of those models to IDB member countries, IDB's least developed member countries and all developing countries.

TABLE 1.2
STATISTICS ON EXTERNAL DEBT BY TYPE FOR IDB MEMBER COUNTRIES

(US$ million)

	Stocks (end of period)		
	December 2000	**December 2001**	**December 2002**
All IDB Member Countries (External Debt All Maturities)			
Bank loans*	235,885	213,272	n.a.
Debt securities issued abroad	52,353	55,730	72,979
Brady bonds	2,926	2,839	2,831
Non-bank trade credits	69,545	66,786	n.a.
Multilateral claims	109,868	82,878	94,132
Official bilateral loans (DAC creditors)	83,234	78,396	n.a.
Debt due within a year			
Liabilities to banks*	115,594	100,332	n.a.
Debt securities issued abroad	5,164	5,925	6,149
Non-bank trade credits	11,483	13,027	n.a.
International reserve assets (excluding gold)	193,505	206,073	184,638
IDB Least Developed Member Countries (External Debt All Maturities)			
Bank loans*	3,726	3,437	n.a.
Debt securities issued abroad	n.a.	n.a.	n.a.
Brady bonds	n.a.	n.a.	n.a.
Non-bank trade credits	5,224	5,616	n.a.
Multilateral claims	30,845	12,562	13,457
Official bilateral loans (DAC creditors)	9,778	9,331	n.a.
Debt due within a year			
Liabilities to banks*	2,482	2,146	n.a.
Debt securities issued abroad	n.a.	n.a.	n.a.
Non-bank trade credits	351	331	n.a.
International reserve assets (excluding gold)	8,584	9,393	1,901

Source: Joint BIS-IMF-OECD-World Bank Statistics on external debt, last updated on 28 February 2003. See http://www.oecd.org/dac/debt/backsum.htm for definition of the above variables, their coverage and data limitations.
Notes: (1) The relevant data for the State of Palestine is not reported. (2) Stocks are the amounts outstanding at the end of the period.
* Including trade credits.

percentage of GDP was 2.0 per cent in 2002, down from its 2001 level of 4.6 per cent by 2.6 percentage points. It is projected to decline further to 1.3 per cent in 2003. However, national savings as a percentage of GDP are expected to increase during 2003 to 24.6 per cent. Similarly, investment activity is expected to continue its upward trend and the gross fixed capital formation (as a percentage of GDP) is projected to reach 21.8 per cent in 2003, driven in part by gross private capital formation. The latter is expected to increase from 14.1 per cent in 2002 to 14.3 per cent of GDP in 2003. The rate of inflation in IDB member countries as a group is expected to decline further, reaching a single-digit rate of 9.3 per cent in 2003. The member countries are also expected to experience a marginal increase in their debt service ratio (debt service as a percentage of exports of goods and services) during 2003. The value of this ratio will likely rise from its 2002 level of 15.5 per cent to 15.6 per cent in 2003.

The real GDP of LDMCs 2003 is expected to stay at its 2002 growth rate of 5.1 per cent. With imports increasing at a much higher rate than exports, the trade balance as a percentage of GDP is projected to be negative at 5.1 per cent in 2003. Similarly, their current account balance as a percentage of GDP is forecast at -6.3 per cent in 2003. The projections suggest that the national savings rate (as a percentage of GDP) will marginally increase to 17.1 per cent in 2003. Similarly both private and gross fixed capital formation (as a percentage of GDP) are projected to marginally increase from their 2002 respective levels of 16.8 per cent and 22.2 per cent to 17.1 per cent and 22.7 per cent respectively, in 2003. Projections for inflation indicate a declining trend from its 2002 level of 5.9 per cent to 5.8 per cent in 2003. The LDMCs' ratio of debt service to exports of goods and services is expected to stay at its 2002 level of 12.0 per cent.

III. MAJOR ISSUES AND DEVELOPMENTS AFFECTING ECONOMIC PROSPECTS OF IDB MEMBER COUNTRIES

There are a number of topical issues and developments that could have a significant impact on the economic prospects of IDB member countries. In addition to the three identified major issues affecting the global economy (already discussed in section I-4 above), of which IDB members are part and parcel, the following issues and developments are particularly relevant and likely to have a significant impact on the economic prospects of IDB member countries. Some of these issues are perennial in nature, compared with other contemporary challenges currently having an impact on member countries. The latter include sustaining the global economic recovery that started in the fourth quarter of 2001 and the first quarter of 2002, geopolitical risks such as the Middle East war, and high energy prices. The other major issues that have been identified for their likely significant relevance to IDB member countries include: progress in achieving the Millennium Development Goals (MDGs), trends in international capital flows to developing countries, debt relief initiatives, development agenda of the Doha WTO Ministerial Conference, implications of the EU enlargement and the New Partnership for Africa s Development (NEPAD). A related issue that has significant relevance to IDB member countries is the development of Islamic banking and finance in IDB member countries. This issue has also been briefly analyzed with other major developments affecting IDB member countries.

1. Progress in Implementing MDGs and Sustainable Development

The development challenges facing the world community in the new millennium are complex and multi-dimensional, involving economic, political, social and environmental factors that cannot be adequately addressed through separate and isolated interventions. The number of people living in poverty is increasing in various regions of the world, and the poorest countries are failing to catch up with developed and other developing countries. In particular, the accelerated progress toward meeting the MDGs will require action by developing countries intensified support, partnership from multilateral financing institutions and international organizations, including UN agencies.

Significant efforts have been made by countries, in collaboration with their development partners, to achieve intended MDGs, particularly in the area of increasing incomes, reducing poverty, and alleviating the suffering of the world's poor (Box 1.1). To this end, the UN and its agencies have organized several international conferences on education, health, population, women, trade, and development with a view of creating awareness about the severity of the crisis inflicting the least developing countries. For example, the recent international efforts to promote sustainable development and mobilize financial resources was agreed upon in two major UN conferences in 2002. The first set of recommendations was included in the communiqu of the UN International Conference on Financing for Development (FfD), held in Monterrey, Mexico, March 18-22, 2002. The second set of recommendations was included in the Implementation Plan of the World Summit on Sustainable Development held in Johannesburg, South Africa, August 26 to September 4, 2002.

The FfD Conference addressed the challenges of financing for development around the world, particularly in developing countries. The Monterrey Conference recognized the importance of domestic, as well as international financial resource mobilization, for the common pursuit of growth, poverty alleviation and sustainable development. The agenda of the conference covered five major items (UN: the Monterrey Consensus 2002):

- Mobilizing domestic financial resources for development.
- International trade as an engine for development
- Increasing international financial and technical cooperation for development.
- External Debt and debt relief arrangements.
- Addressing systemic issues such as international financial stability.

The main conference communiqu , known as "The Monterrey Consensus", called for a strong commitment to and firm support for the key issues listed above. In addition, the FfD Conference emphasized the need for good governance, sound policies, and institutional development as a prerequisite for achieving the MDGs. The conference emphasized common concern regarding the inadequacy of official development assistance (ODA) to developing countries in the face of the urgent need to meet the targets agreed on by the international community at the Millennium Summit of the UN General Assembly (UN: Agenda item 9, FfD, 2002). In this regard, the multilateral financing institutions are working to ensure that commitments made by the bilateral donors to increase aid are fulfilled and resources deployed more effectively than in the past, in addition to providing concessional loans to poor countries (Global Poverty Report, 2000). Therefore, the challenge ahead is to ensure that the commitments made actually become available, and are deployed more effectively than in the past.

The second event was the World Summit on Sustainable Development (WSSD), held in Johannesburg, South Africa from August 26 to September 4, 2002. The conference focused on ways to maximize the effectiveness of traditional and innovative partnerships by and between official entities, private enterprises and civil society organizations. In particular, the Summit recognized that poverty eradication, changing consumption, production patterns, protecting and managing the natural resources, are essential requirements for sustainable development. Development in the 21st century was conceived to combine five perspectives: financial capital, physical capital, human capital, social capital, and natural capital. However, the Plan of Implementation of the WSSD contained targets and timetables to spur action on a wide range of issues, in partnership with governments, civil society and businesses. Thus, generating, at the highest political level, a global commitment on the collective responsibility to advance and strengthen the interdependent and mutually reinforcing pillars of sustainable economic development, social development and environmental protection at the local, national, regional and global levels. In addition, strong emphasis was placed on the need for financing and mobilizing new resources to facilitate implementation of Agenda 21 and the Johannesburg agreements and commitments[9]. Current trends in international capital flows to developing countries are discussed in section III (2).

Given the concerted commitments to achieve the MDGs, progress has been made toward achieving these goals worldwide as summarized in Box 1.1. However, a few regions of the world such as Sub-Saharan Africa (SSA) and South Asia lagged behind. For example, the progress in eradicating poverty and hunger is uneven and poverty remains deep and widespread in these regions (Box 1.1). The proportion of people living in extreme poverty fell to 23 percent in 1999 worldwide, but at the end of the decade there were almost 500 million people in South Asia and 300 million people in SSA living in extreme poverty (AfDB: Global Poverty Report, 2002). Many IDB member countries made progress toward reducing child and infant mortality rates between 1990 and 2000. The average infant mortality rate, for the IDB member countries as a group, decreased from 106 to 59 in the same period. Meanwhile average total health expenditure as percentage of GDP marginally increased from 3.2 in 1990 to 3.4 in 2000.

IDB member countries also made progress in promoting literacy/education. The gross primary school enrollment ratio increased, on average, from 85% in 1990 to 95% in 2000 (IDB Statistical Monograph #22). However, the progress in primary school enrollment is uneven and slow in these countries. IDB member countries are also making slow progress in ensuring environmental sustainability. The proportion of people with access to safe water, increased from 77% in 1990 to 80% in 2000, while the proportion of people who have access to sanitation increased from 56% in 1990 to 67% in 2000.

2. Current Trends in International Capital Flows to Developing Countries

International capital flows to developing countries continued their declining trend after reaching their peak levels during 1996/97. The declining trend in international capital flows is shared by its major components, notably the net portfolio investments and other long and short term net investment flows, including official and private borrowing to developing countries.

Net private capital inflows to developing countries in 2002 fell from the previous year levels. According to IMF estimates, net FDI flows to developing countries

[9]Agenda 21 is a participatory, multi-sectoral process calling for the integration of the environment and development to fulfill basic needs and to better manage the ecosystem.

BOX 1.1
MILLENNIUM DEVELOPMENT GOALS (MDGs): TARGETS AND PROGRESS

Target	Goal	Progress
Halve, between 1990 and 2015, the proportion of people who suffer from hunger	Eradicate extreme poverty and hunger	The target has largely been met in East Asia and the Pacific, but sub-Saharan Africa, Latin America and the Caribbean, and parts of Europe and Central Asia are falling short.
Ensure that, by 2015, children everywhere will complete a full course of primary schooling	Achieve universal primary education	Many regions are on track to achieve the target before 2015, but lower levels of achievement and progress persist in sub-Saharan Africa, Western Asia and Southern Asia
Eliminate gender disparity in primary and secondary education preferably by 2005 in tertiary education by no later than 2015.	Promote gender equality and empower women	In developing countries, gender gaps still exist in enrollment at all levels of education.
Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	Reduce child mortality	In developing countries on average, more than 100 children die before age 5, for every 1,000 born.
Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	Improve maternal health	Based on best estimates for 1995, maternal mortality is far higher in all developing regions, compared to developed, and fifty times higher in sub-Saharan Africa.
Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	Combat communicable and tropical diseases	HIV prevalence rates are still increasing for men and women in the developing world. The rate is seven times higher in developing countries than developed countries for women, and almost three times higher for men.
Reverse the loss of environmental resources	Ensure environment sustainability	● Worldwide emissions of CO_2 - the largest single source of greenhouse gas emissions from human activities- hardly changed on per capita basis. ● Since the adoption of the Montreal Protocol in 1986, the global consumption of CFC2 - the major substances causing depletion of the ozone layer- has decreased significantly.
Address the special needs of the least developed countries	Develop a global partnership for development	Official development assistance Net ODA, as percentage of OECD/DAC donors' gross national income (GNI)-has decreased over the last decade and is at an all-time low, and net ODA to least developed countries has decreased even more. Market access In recent years, the percentage of imports to developed countries (excluding arms and oil) admitted duty-free from developing countries has increased, based on dollar value. But the percentage of imports from LDCs, admitted duty-free has decreased

Sources: (1) The Millennium Development Goals and targets come from the Millennium Declaration signed by 189 countries, including 147 Heads of State, in September 2000. (www.un.org/documents/ga/res/55/a55r002.pdf - A/RES/55/2).
(2) Progress in MDGs comes from the Report of the UN Secretary-General on "Implementation of the Millennium Declaration and data based on the World Bank, UNEP, UNESCO and WHO estimates, 2002-2003 www.un.org/milleniumgoals/index.html).

declined by nearly US$20 billion in 2002. Available data on net debt flows to developing countries suggest that they were negative in 2002. In the period January-July 2002, gross market-based debt flows have averaged US$10.7 billion per month, about 22 per cent lower than the average monthly flows of 2001. Net FDI inflows to developing countries were US$172.1 billion in 2001. Revised forecast for 2002 suggests that net FDI flows to developing countries would reach US$151.3 billion in 2002; in sharp contrast to net outflows of debt. The trend in the net FDI flows varied considerably across geographic regions.

Net FDI flows to Latin America and the Caribbean declined for the third consecutive year. The region received US$85 billion in 2001, 11 percent less than in 2000. The declining trend continued in 2002, owing largely to the financial crisis in Argentina. FDI flows were also down sharply in Eastern Europe. The reduction in net equity-capital flows led the economies of Eastern Europe to become more dependent on net debt financing.

By contrast, net FDI flows to Asia, mostly to China, increased considerably during the same period. The share of developing countries of the Asia-Pacific region in global inflows increased from 9 percent in 2000 to nearly 14 percent in 2001. FDI inflows continue to play a prominent role in China's economy, exceeding US$47 billion in 2001. In the other regions of Asia, Kazakhstan (from Central Asia) and Turkey (from West Asia) were leading FDI recipients in 2001, securing US$2.8 billion and roughly US$3 billion, respectively. However, FDI flows to Malaysia declined in 2001, despite its ranking as a favored destination.

FDI flows to Africa rose from US$9 billion in 2000 to more than US$17 billion in 2001, largely due to an increased FDI flows to South Africa and Morocco. For most African countries, FDI flows remained at more or less the same levels as in 2000. However, the year 2001 saw a number of remarkable developments in some IDB member countries in Africa. FDI flows to North Africa recorded an unprecedented level of US$5.3 billion in 2001, with about half of it accruing to Morocco, as reported by UNCTAD. Sub-Saharan Africa accounted for more than two-thirds of the total FDI flows to Africa in 2001, which, for the first time ever, reached US$11.8 billion in 2001. Despite this increase, its share in global FDI has declined over the years, compared with other developing countries.

Overall, the share of the least developed countries (LDCs) in total FDI flows to developing countries has declined over time, from 2.3 percent during 1986-1990 to 1.8 percent during 1996-2000, and then rose slightly in 2001. FDI in LDCs as a group reached US$3.8 billion in 2001. Individual performances differed greatly over the period 1986-2001. While Burundi saw a decline of 22 percent, Uganda registered an increase of 99 percent. In Sierra Leone and Yemen, divestiture has exceeded new FDI during the last years. By contrast, FDI has increased rapidly in Bangladesh, Mozambique, Sudan, Tanzania, Ethiopia and Lesotho.

FDI flows to the oil-exporting LDCs, including Angola, Equatorial Guinea, Sudan and Yemen, rose from an annual average of US$49 million during 1986-1990 to an annual average of US$1.2 billion in 1996-2000, and further to US$1.6 billion in 2001. Other successful LDCs from Africa, such as Mozambique and Uganda, were among the largest FDI recipients in 2001.

Based on the IMF estimates, net private portfolio investment flows into the countries in transition and developing Asia improved significantly in 2002. Net private portfolio investment flows to Africa and the Middle East, decreased in size in 2002, are still negative. By contrast ODA from the United States rose by US$900 million primarily as a result of US$600 million disbursement to Pakistan for economic support in the aftermath of the 11 September 2001, and at the same time the ODA from the EU rose by US$700 million.

Net ODA fell by 1.4 per cent in 2001 and remained at the 2000 level of 0.22 per cent of DAC members' combined gross national income. Based on the recent IMF estimates, net official flows to the Middle East increased from US$6.6 billion in 2001 to US$8.8 billion in 2002. By contrast, official flows to Africa declined from US$1.3 billion in 2001 to US$1 billion in 2002. However, in the case of both developing Asia and countries in transition, the direction of official flows was reversed, and net official outflows from the two regions decreased significantly from US$6 billion and US$8 billion in 2001 to US$1.4 billion and US$3.6 billion in 2002 respectively. ODA to developing countries from members of the DAC fell from US$53.7 billion in 2000 to US$51.5 billion in 2001. This decline was caused in part by the appreciation of the dollar, which reduces the dollar value of ODA flows recorded in other currencies, particularly the Japanese yen. The decline in dollar terms was due mainly to an almost US$4 billion fall in ODA from Japan following the depreciation of the yen, the timing of disbursements to multilateral organizations, and loan repayments from Asian countries affected by the 1997-98 financial crisis.

According to the January 2003 estimates of the World Bank and IMF, about 85 percent (or 22 out of 26 eligible) of the African countries received nominal debt service relief totaling US$32.2 billion, which, on average, will halve the net present value of their debt in July 2002. In September 2002, the International Monetary and Financial Committee (IMFC) requested the IMF to develop a concrete proposal aimed at strengthening international financial markets and promoting an orderly and predictable debt workout. The new proposal, known as the sovereign debt restructuring mechanism (SDRM), was discussed at the spring 2003 meetings of the IMFC. The Committee agreed that the work of the IMF in developing the SDRM proposal should continue on issues raised in its development that are of general relevance to the orderly resolution of the financial crises. These issues include inter-creditor equity considerations, enhancing transparency and disclosure, and aggregation issues. Despite the fact that it is not feasible now to establish the SDRM, the IMF will report on progress at the Committee s next meeting. Recent debt-relief initiatives, particularly for LDMCs are discussed in section III (3). In this context, recent commitments to increase international aid flows and raise the proportion of grants will also contribute to relaxing financing constraints (Box 1.2)[10].

Major multilateral lenders made substantial increases in their lending to developing countries in the first half of 2002. IMF credit outstanding rose from SDR53.5 billion at the end of 2001 to SDR59.6 billion at the end of June 2002, reflecting partly the effects of programs in Brazil and Turkey[11]. The World Bank's net lending in the first half of 2002 was modest at US$418 million, compared with IDA flows, which were US$3 billion.

Among the factors explaining the overall declining trends in international flows to developing countries are the uncertain economic prospects, particularly in the United States and Japan, the increasing debt burden, and the FDI flight to quality fueled mainly by concerns over recent global political developments.

[10]Lack of information on bilateral aid flows makes it difficult to track whether recent commitments made at a series of United Nations conferences to increase aid have materialized or not.

[11]The US$/SDR exchange rate was US$1.2567/SDR at the end of 2001 and US$1.3305/SDR at the end of June 2002.

Box 1.2

Findings and Recommendations of the occasional Paper on "Resource Constraints in Financing Development in IDB Member Countries*"

The major focus of the paper is to identify the constraints impeding resource mobilization in the IDB member countries and, thereby, hampering growth and development. The study tracks the performance and progress of the member countries, drawing lessons from good practices and suggesting credible policies and mechanisms that could help the IDB member countries mitigate their resource constraints and make accelerated progress towards achieving the Millennium Development Goals (MDGs).

In assessing the links between savings and investment and poverty-reducing growth in the member countries, the study found that the saving rates in IDB member countries were relatively low during the 1990s. The resource gaps in LDMCs ranged between 4 percent and 58 percent, forcing these countries to borrow from domestic and foreign sources and becoming heavily indebted. The increased foreign debt coupled with adverse terms of trade facing these countries, has limited their ability to achieve the poverty-reducing growth rates required to achieve the MDGs. In addition, the study highlighted the experience of other multilateral institutions in exploring opportunities to facilitate resource mobilization and forge effective partnership to facilitate the access of the poor to productive resources in these resource-constrained countries.

Specific policies and programs adopted by some IDB member countries, such as Islamic finance in Sudan, micro-finance in Bangladesh and debt relief and SMEs in Uganda, reveal a number of observations. First, Islamic finance could be instrumental in mobilizing domestic savings, promoting rural development and reducing poverty. Second, micro-finance programs could play an active role in engaging the poor in the development process and relaxing financing constraints to fight poverty. Third, debt relief programs could also contribute to the release of much needed resources to achieve the MDGs. Fourth; promoting SMEs could help in mitigating resource constraints faced by the private sector in many LDMCs.

Finally, experience of and effective partnerships with sister institutions and other development partners provide useful lessons for IDB and its member countries in this area, such as the need to focus technical assistance to member countries within the on-going joint efforts between the involved institutions to joint membership, modeled on the proposed tripartite arrangements between ICIEC, IDB, MIGA or UNIDO. Such an arrangement could be extended to trade-related technical assistance, including human and institutional capacity building, between IDB and other involved organizations such as IMF, ITC, UNCTAD, UNDP, WTO and the World Bank.

* IDB Occasional Paper No. 7, Rajab 1423H (October 2002), by Ali Diabi and Abdel-Hameed M. Bashir.

3. Recent Debt-Relief Initiatives and Poverty-Reducing Growth Strategies

The HIPC initiative was launched in 1996 and was aimed at providing comprehensive relief to reduce the debt burden of the world's poorest and most heavily indebted countries that are pursuing economic and social reforms aimed at reducing poverty. This initiative aims at reducing the external debts of the HIPC countries to levels sustainable by the economies of those countries. That is, the ratio of debt to GDP for these countries is expected to be reduced from 60% to 30% with debt service being cut by one-third.

The debt relief provided under the HIPC initiative is earmarked to finance poverty reduction programs. The programs are elaborated in the country's Poverty Reduction Strategy Paper (PRSP) which forms the basis of financing for clearly identified poverty related projects. The PRSP adopted by all concerned parties (government, local authorities, civil society, NGOs, etc.) sets out defined targets by the country, in consultation with the World Bank/IMF in key economic and social sectors. Program implementation is closely monitored to ensure that participants here satisfied the conditions to meet their completion point.

In 1999 a consensus emerged amongst the Multilateral and Bilateral Creditors to enhance HIPC Debt by providing deeper, broader[12] and faster[13] relief and stronger link between Debt Relief and Poverty Reduction. One of the significant improvements in the Enhanced Initiative is the provision of "Topping-Up". This provision allows a review of the country's debt conditions at the completion point[14] and assesses whether additional debt relief is required to cope with unexpected increases in the debt burden (i.e., not to penalize a HIPC country for events outside its control - such as a decline in export prices before the completion point). A total of twenty-six countries have been declared eligible to receive debt relief, of which fourteen are member countries of the IDB. Six countries have reached the completion point, of which four are IDB member countries. A further twelve countries are still under consideration to receive debt relief, out of which five are member countries of IDB.

[12]External debt thresholds were lowered from the original framework; as a result more countries have become eligible for debt relief.

[13]A number of creditors started to provide interim debt relief immediately at the decision point and thus allowing countries to reach the completion point faster.

[14]Completion point is the point at which the country receives the bulk of its debt relief under the HIPC initiative, without any further policy conditions.

The total revised cost of the initiative is currently estimated by the World Bank at US$ 37.2 billion in 2001 NPV terms, with the multilateral creditors share at US$ 17.9 billion (48%). The cost for the 26 countries that have been declared eligible to receive debt relief is estimated at US$ 26 billion in 2001 NPV terms, with the multilateral creditors share at US$ 13.8 billion (53%). The cost of the initiative to IDB for its fourteen eligible member countries is projected at around US$ 130 million (0.94% of the multilateral creditors share).

To date 14 member countries have qualified for debt relief under the original and enhanced HIPC initiative as shown in Table 1.3.

TABLE 1.3
ESTIMATED NPV OF DEBT RELIEF BY IDB MEMBER COUNTRIES

Member Country	Date at which NPV of Debt Relief Estimated	Estimated NPV of Debt Relief US$ million	Board of Executive Directors Approval
Benin	December 1998	4.7	Yes
Burkina Faso[15&16]	December 1999	14.6	Yes
		7.2	To be presented in 1424H
Cameroon	June 1999	1.9	Yes
Chad	December 2000	2.4	Yes
Gambia	December 1999	2.7	Yes
Guinea	December 1999	16.7	To be presented in 1424H
Guinea Bissau	July 2000	11.0	To be presented in 1424H
Mali	December 1998	10.5	Yes
Mauritania[16]	December 1998	15.5	Yes
Mozambique[16&17]			Not Applicable
Niger	December 1999	21.0	Yes
Senegal	December 1998	10.6	Yes
Sierra Leone	December 2000	1.1	To be presented in 1424H
Uganda[16]	June 1999	4.0	Yes

The IDB Board of Executive Directors has, during the year 1423H, approved debt relief packages for Niger, The Gambia, Chad and Mauritania (shortfall in debt

[15]Topping up of US$ 7.2 million at completion point.
[16]Reached completion point.
[17]IDB had no exposure at the country's decision point date.

relief). The debt relief packages have been fully implemented for Uganda, Burkina Faso (US$14.7 million), Mauritania and Niger with the other approved countries to follow in 1424H. The implementation of debt relief starts from the decision point[18] date or on reaching the completion point date at the request of the member country. The implementation at the decision point date is designed to provide interim debt relief. The interim debt relief is expected to contribute to the country's efforts in putting in place the measures and reforms set out in its PRSP and assisting the country in meeting the conditions for attaining the completion point. The other four IDB member countries, which are still under consideration to receive debt relief under the enhanced HIPC initiative by the World Bank and IMF, are Cote d'Ivoire, Somalia, Sudan and Togo.

The enhanced HIPC initiative is well on the way to achieving its fundamental goal, giving a 'fresh start' to the world's poorest and most heavily indebted countries by cutting their external debt ratio to a manageable level. The twenty-six eligible countries are saving on average US$ 1.3 billion a year because of lower debt servicing ratio compared with debt service payments in 1998/99. The debt services ratio to exports has been cut by more than 40% (i.e. from more than 16% to 9% of total exports). Also, debt service as a percentage of GDP has reduced from 3.7% to 2.4%. However, there are challenges in implementing the enhanced HIPC initiative to achieve its objectives and purpose:

- Bringing the remaining dozen countries to the decision point as these countries are mostly conflict-affected countries; and many of them have substantial arrears problems.
- Many HIPCs in the interim period are taking longer than anticipated to reach the completion point. This is due to the need to develop the PRSPs and overcome difficulties in the implementation of their economic adjustment and reform programs.
- The outlook of many HIPCs has deteriorated with the global economic downturn and the fall in commodity prices.
- The expected financing needs have not been fully met, including the potential costs of 'topping up'.

[18]The decision point is the point at which the international community agrees (for countries with unsustainable debt levels and a solid record on economic reforms and of poverty reduction programs) on the amount of relief needed to reduce debt to sustainable level.

- HIPCs have to maintain long term debt sustainability beyond enhanced HIPC initiative. HIPCs will have to achieve sustained economic growth and export diversification through sound economic management, and good governance and institutions.

Steps have been taken to overcome these challenges by closely monitoring the PRSPs and linking interim debt relief delivered by the creditors to poverty reduction programs. Providing additional debt relief (i.e. 'topping up') is required to cope with unexpected increases in debt burden in order to reach the completion point. The World Bank and IMF are seeking ways to raise the participation and get firm commitments from multilateral, bilateral and commercial creditors to fund the initiative.

IDB is strongly committed to the objectives and successful implementation of the enhanced HIPC Debt Initiative. IDB will deliver its share of debt relief to its member countries via rescheduling loans up to a maximum period of twenty-five years. The modality used by IDB is front loading with debt relief, i.e. substantially reducing the installment due date. However, in case of a shortfall using the above modality, the shortfall may be delivered through the rescheduling of debts by more than 25 years or through additional concessional loans on a country-by-country basis. The provision of additional concessional loans will be linked to programs identified in the PRSP. IDB remains confident that all participating creditors and donor countries will fulfill their obligations towards the enhanced HIPC initiative, which will assist the heavily-indebted countries in reducing poverty and achieving economic growth and social development.

4. Implications of the Development Agenda of the Doha WTO Ministerial Conference

Another important issue, signifying the intention to focus on development objectives in the world trading system in 2002, relates to the emphasis and progress placed on reducing agricultural support. This is part of the overall development agenda of the current multilateral trade negotiations among members of the WTO, based on the outcome of the WTO Fourth Ministerial Conference held at Doha, Qatar, in November 2001. The Doha Conference was hailed as a significant step towards the liberalization of trade in goods and services. The Declaration extends the negotiations to access the markets in agriculture, industrial and services sectors through reduction in tariff, as well as non-tariff barriers, tariff peaks and escalation. It also includes a competition policy, foreign direct investment, transparency in government procurement, trade facilitation and the environment. It allows special and differential treatment for developing countries and recognizes the importance of the technical assistance to poor member countries so that they are properly integrated into the trading system and are able to participate fully in the negotiations.

The Doha Declaration was premised on the assumption that free trade leads to higher economic growth due to specialization, in accordance with the principle of comparative advantage. Poverty is reduced and core labor standards improve in countries that pursue pro-trade policies. Furthermore, since developing countries are labor surplus, heavily dependent on the agriculture sector and have limited domestic markets, liberalization efforts would *prima facie* go a long way towards realization of their growth potential.

There is a general feeling that the trade agenda serving the commercial interests of the developed world has been taken up in the Doha Declaration, while the agenda of the developing countries has been excluded. In this respect, the new WTO Work Program was widely viewed as having placed new challenges and difficulties on developing countries to integrate their economies with the global economy. In particular, developing countries are more concerned with the hardships of non-implementation of the existing WTO arrangements, the elaboration of the objectives and timetable for the current negotiations on agriculture, services and market access. These issues have implications on the positions that these countries need to formulate and defend in the new round of negotiations in a manner that would respond effectively to their individual and collective interests.

Like other developing countries, the IDB member countries are also facing new challenges in the new WTO Work Program. The IDB is aware of the complexities of the WTO agreements and is thus continuing to provide various forms of assistance to its member countries to enable them to reap full benefits from these agreements. The list of the activities undertaken by the IDB in this area is summarized in Chapter 2 of this Annual Report. However issues of concern to IDB member countries have been studied in the IDB's commissioned Occasional Paper to analyze the implications of the WTO New Work Program on its member countries and recommend a range of possible responses to these implications (Box 1.3).

A review of the Doha Declaration indicates the utmost importance to three key areas for the IDB member countries in the ensuing round of negotiations. These are negotiations on Agriculture, Services and Market Access for non-agricultural products. The major issues of concern for member countries in this context are briefly stated below:

First, specific reform proposals and objectives of agricultural policies are due to be considered by the WTO's Committee on Agriculture by March 31, 2003, so that the topic could be included on the agenda of the ministerial meeting in Cancun, Mexico this September.

Second, agricultural supports take several forms, and the levels of support vary greatly across countries. However, agricultural supports are most prevalent among the world's industrialized economies[19]. The costs of farm supports are borne primarily by consumers and taxpayers in the industrial countries, as well as by farmers in the developing world. Consequently, major international organizations have emphasized the importance of reducing agricultural support as part of an overall development agenda, because the vast majority of the world's poor are farmers in developing countries.

Third, although reducing the level of trade-distorting, agricultural support is a complex issue, given the strong pressure exerted by the interest groups to maintain the subsidies, the magnitude of potential gains from eliminating all agricultural support exceeded 0.4 percent of the total world GDP[20].

5. Implications of EU Expansion for the IDB Member Countries

Starting with 6 founding members in 1957, the European Union (EU) has now reached 15 members, known as EU-15. In addition, 13 countries are

[19]According to the recent estimates of the OECD, support levels range from a low of 1% of farm receipts in New Zealand to a high of 69% for Switzerland. Japan, Korea and Norway are also near the high end of the range, while support levels in Canada, the US and the EU fall between the two extremes.

[20]A recent IMF study estimated the potential gains worldwide at US$128 billion, with the largest benefits accrued to both developed and developing countries: 1.3% of GDP for North Africa and the Middle East, 1.2% of GDP for Australia, Canada and New Zealand and 1.6% of GDP for other OECD countries, excluding US, Japan & the EU. Japan & Korea would gain about 6% of their GDP, the EU 4% and the US more than 1%.

BOX 1.3

KEY POINTS OF THE OCCASIONAL PAPER ENTITLED "MAJOR ISSUES AND CHALLENGES OF THE NEW WTO WORK PROGRAMME FOR IDB MEMBER COUNTRIES"*

The paper contained, among others, a section on the main agenda of the WTO Fourth Ministerial Conference (Doha Conference) held in Doha, Qatar, in November 2001. It proposed a strategy that IDB member countries may adopt in the course of the negotiations in the important areas of concern to their economies, particularly agriculture, services and market access. The key features of the proposed strategy for different areas are summarized below.

Market Access:

- IDB member countries may agree to reduce the bound rates and where they do not have comparative advantage to steep fall in tariff cuts both in bound and applied rates;
- IDB member countries should ask for conversion of all specific tariffs into ad-valorem tariffs;
- IDB member countries should strive to seek substantial reductions in peak MFN tariffs which apply to products of export interest to them e.g. textiles, leather products, footwear, etc and, if feasible, aim at elimination of all other MFN rates of tariffs and tariff escalations in sectors where they exist; and
- IDB member countries must seek flexibility in "staging" of tariff reductions.

Agriculture:

- IDB member countries may support proposals for a substantial reduction in applied tariffs using a harmonization formula that reduces tariff peaks. Any tariff reduction formula should incorporate a mechanism for reducing tariff escalation by linking tariff levels in primary commodities to those affecting their processed form.
- All LDCs be given the same level of entry into the developed countries markets as currently enjoyed by African, Caribbean and Pacific (ACP) countries, i.e., agricultural exports from LDCs should have tariff-free access to developed countries markets.
- Special Safeguards should be either broadened in scope to make them available to all markets, or abolished altogether. Also, IDB member countries should support total abolition of export subsidies, and the regulation of export credits to ensure that they do not contain hidden subsidies.
- Developing countries should seek to be exempted from any restrictions on State Trade Enterprises (STEs) activities that might reduce their bargaining power in international markets.
- IDB member countries should negotiate for short-term obligations to maintain food aid commitments in the context of rising international prices of food commodities.
- To the extent that export subsidies are further reduced and exports credit rationalized, food import dependent IDB member countries require concrete assurances in terms of more substantial guarantees regarding food aid commitments as well as other forms of financial and technical assistance.

Services:

- IDB member countries should seek to clarify the existing commitments through establishing the mechanism to undertake a comprehensive country-by-country review/ assessment of the schedule of commitments to identify pattern of bound commitments,
- Operationalising the clauses on movement of natural persons and capacity building measures, focusing on sectors of actual or potential interest to IDB member countries and strengthening the provisions on business practices/anti-competitive behavior;
- Recognition of autonomous liberalization in terms of receiving the credit for it;
- Removal of immigration-related regulations governing entry and stay of services providers; regulations concerning recognition of qualifications, work experience, and training.

***By A.R. Kemal and M. Malik, Occasional Paper No. 8, IDB, Rajab 1423H (October 2002).**

currently involved in the process of joining the EU[21]. With the exception of Malta, Cyprus and Turkey, 10 of these countries belong to the Central and Eastern Europe (CEEC-10). Among these countries, Turkey is the only IDB member country. All these countries are destined to join the EU, once they have fulfilled the criteria for membership. The EU has opened negotiations for membership with 12 of these countries. Regarding Turkey, negotiations will begin after May 2004 when it will be determined whether it meets the political criteria for membership.

EU expansion is expected to have significant effects on the economies of both member and non-member countries, particularly on foreign direct investment (FDI), trade, international competition and allocation of resources. Many benefits of expansion are already visible because of the high degree of economic integration reached between the EU-15 and the CEEC-10. Expansion will present significant economic opportunities in the form of a larger market. Adding the applicant countries to the EU's Single Market of over 370 million inhabitants will create the largest economic area in the world.

Since 1989, economic integration between the CEECs and the EU has proceeded at a rapid pace, with trade and foreign direct investment (FDI) as the two main channels of integration. The closer East-West ties were greatly fostered by the European agreements, which provide the institutional framework for bilateral relations between EU and each of the CEEC-10. In the economic field, the European Agreements have resulted in reciprocal free trade in industrial products, by removing all tariffs and quantitative restrictions. In addition to the liberalization of trade in industrial products, the European Agreements also contain steps towards the free movement of services and capital, as well as commitments by the CEECs to align their economic legislation to that of the EU.

During the 1990s, the CEECs have generally succeeded in creating a stable macroeconomic environment and implementing some of the structural reforms required to transform their economies into market economies. Those, which have succeeded first in these efforts, have been rewarded with sustained economic growth and are well on the way to fulfill the Copenhagen criteria for EU accession.

The expansion of the EU will have a substitution effect on the less developed non-EU member countries, especially in terms of trade and investment. In other words, higher portions of exports and FDIs will be allocated to the CEEC-10, particularly, the bordering regions that have a closer relationship with these countries. They are also subject to some preferential treatment and programmes, they will be more affected by EU policies and programs; particularly Turkey and other IDB member countries from Africa and the Arab region, including Egypt and North African countries. Although it is in the process of joining the EU, as noted earlier, Turkey is still behind the other 12 candidates.

The CEEC-10 is expected to improve their economies and competitiveness with the help of EU funds, and they will also have preferential access to the EU market. Consequently, the IDB member countries from the CIS[22] and Albania, with similar economic structures to the CEEC-10, will be in a less competitive position than these new members. As similar effects will also be felt in agriculture, assuming the continuity of the EU Common Agriculture Program. However, the full impact will depend on the current round of the multilateral trade negotiations among the members of the WTO and the adherence of the developed countries to the removal of the total support to agriculture[23].

As a result of free labor mobility in the EU, the labor supply from developing countries and especially IDB member countries from the Middle East and North Africa, including Turkey, and Sub-Saharan Africa will be replaced in part by the relatively cheaper labor of the new members. However, the replacement process will take time of about a 5-7 year transition period, for the free movement of workers to the EU-15 countries, before its implementation.

The EU's pre-accession strategy towards Turkey builds on the 1998 European Strategy. On 4 March 1998, the European Commission adopted its first operational proposals for this strategy, which covered, among others, the deepening of the Customs Union to the agricultural and services sectors and the strengthening of cooperation in several fields. The pre-accession strategy for Turkey which is now under preparation, in line with the Helsinki conclusions, encompasses the Association Agreement and Customs

[21] These are Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Romania, Bulgaria, Malta, Cyprus and Turkey.

[22] Azerbaijan, Kazakhstan, Kyrgyz, Tajikistan, and Turkmenistan.

[23] The OECD estimates that direct and indirect transfers from consumers and taxpayers to farmers in member countries totaled over US$230 billion in 2001, comprising nearly a third of all farm receipts. Support level in the EU alone represents 35% of the farm receipts.

Union Agreement; enhanced political dialogue; Accession Partnership and the National Programs for the Adoption of the Acquits (obligations); specific assistance under a single financial framework and participation in the European Community programs, agencies and committees. As a member of the Customs Union, Turkey has access to the European markets, with the exception of agricultural products, which are subject to special treatment, as discussed before.

6. New Partnership for Africa s Development (NEPAD)

The New Partnership for Africa's Development (NEPAD) was adopted by the African Union (AU) Summit in July 2002 in South Africa. As a comprehensive and integrated framework for development, NEPAD addressed key economic, social and political priorities facing the continent. In this context, NEPAD shared specific sectoral issues and broad development principles with other historical action plans, including the Lagos Plan of Action, Final Act of Lagos, African Alternative Framework to Structural Adjustment Programs and the United Nations New Agenda for Development of Africa in the 1990s. Unlike other historical initiatives, NEPAD emphasized a fresh start for Africa to meet the globally agreed millennium development goals (MDGs) and targets (Box 1.1).

More importantly, NEPAD is widely considered as a homegrown reform agenda that was articulated by Africans. NEPAD aims to forge a new partnership between Africa and developed nations to achieve the internationally agreed development goals. Reciprocally, African leaders will take responsibility for creating the conducive political conditions for development in Africa by ending regional conflicts and improving governance. In return, the West will provide Africa with better terms of trade, more aid and debt relief. In doing so, the international support would contribute to the ending of Africa's marginalisation.

NEPAD called, *inter alia*, for accelerated debt relief, increases in development aid and better trade terms for African countries. According to the IMF and UN figures, most of the FDI inflows to Africa have been directed toward the primary sector, with the nine oil-exporting countries (the majority of which are IDB member countries) receiving about 75% of FDI flows. Despite the increase of FDI to Africa during the last two decades, its share of global FDI has declined substantially, compared with other developing countries[24]. Similarly, development aid to Africa fell by 43%, between 1990 and 2000, registering US$16.4 billion, about a quarter of which is needed by Africa to meet its poverty-reducing growth targets annually. At the Monterrey Conference, rich countries pledged that more than half of the new aid promised will go to Africa. However, it is too early to review progress.

At the trade front, the action program of NEPAD offered the prospect of major cuts in rich country agricultural subsidies that undermine the African farmer. In support of this proposal, the World Bank urged the World's richest nations to lower their trade barriers to African exports, during the June 2001 African Economic Summit in Durban, South Africa. Preferential access to the US markets has been linked to the Africa Growth Opportunities Act (AGOA) to allow a range of goods from eligible African countries, with a view to providing growth stimulus for African countries.

On the African debt problems, the HIPC initiative was launched in the mid-1990s and implemented in 1999. So far five African countries (four of them IDB member countries) have reached their completion points, another 17 African countries (including 10 IDB member countries) have reached their decision points and 10 more African countries (half of them IDB member countries) are still to be considered for interim relief (Table 1.3).

The order of priorities in NEPAD coincided with that of the internationally agreed MDGs. The priority target for NEPAD is to cut in half the number of Africans living in extreme poverty by 2015. This is the first goal among the MDGs of the 21st Century. In order to achieve the internationally agreed goal of reducing poverty and hunger by half in 2015. Recent World Bank estimates suggest a need for an additional US$40 billion to US$ 60 billion a year (above the current contributions of US$ 57 billion) that could be contributed from the developed countries, assuming the achievement of a minimum growth target throughout these years.

In order to achieve that goal, the poverty-reducing growth target for Africa was estimated at 7 per cent per year for the next 15 years. This rate is more than double Africa's average economic growth rate in 2001-

[24] According to the IMF, FDI in Africa increased almost fivefold, to nearly US$150 billion between 1980 and 2000. However, Africa's share of global FDI has declined from 5.3% in 1980 to its lowest level of 2.3% in 2000.

2002. However, some IDB member countries from Africa recorded annual economic growth rates of more than 7%, including 10% in Mozambique and 7% in Uganda. Indeed, more than 20 African countries achieved economic growth rates of more than 4% in 2001, despite the global recession of 2001.

So far NEPAD has succeeded, among others, in engaging the global political and economic powers in direct dialogue on a suitable course for Africa's development, as reflected in the statement of support from the G8 (G7 plus Russia) during a full day session of the Kananaskis (Canada) Summit on 27 June 2002, the UN Summit on Financing for Development of March 2002 in Monterrey, Mexico, the recent UN General Assembly, Annual Meetings of the World Bank, IMF and the Islamic Development Bank.

Declaration on IDB Group Cooperation with Africa

Despite the considerable efforts of the African countries to overcome development difficulties and challenges faced by the continent as a whole, and in spite of the assistance extended by the international community including some IDB member countries, the majority of African countries are still among the least developed countries of the world. As a development finance institution, IDB has so far extended, within its available means, an amount of US$3.5 billion for project financing in Africa, 60% of its concessional financing to LDMCs from Africa and special assistance for 11 Muslim communities in non-member countries.

The IDB Board of Governors, in its 27th meeting of 16-17 Shaban 1423H (22-23 October 2002), held in Ouagadougou (Burkina Faso), issued a declaration on 'IDB Group Cooperation with Africa', which commits an overall financing of US$2.0 billion of the Bank's resources to be allocated to African LDMCs over a period of five years. The declaration was an outcome, among others, of a symposium, organized by the IDB in conjunction with its 27th annual meeting that was held in Ouagadougou in October 2002, on 'IDB/NEPAD Partnership for a Better Future in Africa'.

The Declaration identifies priority sectors, operational direction and financing instruments to be applied for further enhancing the effectiveness of IDB s role in support of its African member countries and particularly the LDMCs among them.

Accordingly, one of the main objectives of the IDB would be to promote the acceleration of economic growth with the aim of fighting poverty and reducing the widening disparities between rural and urban areas. Basic education with technical and vocational training would be accorded the highest priority. Regional projects in development-oriented higher education would also be encouraged.

Other priority sectors and areas identified in the IDB Declaration are: primary health care, access to basic treatment in rural areas, combating malaria through prevention, research and development, promotion of small and medium-size enterprises and micro enterprises, joint African infrastructure projects, supporting efforts to attract private investment from other member countries, capacity building and promotion of intra-trade (further details of this declaration is provided in Chapter 2 as part of the IDB's efforts to promote economic cooperation among its member countries).

The Bank will also seek to attract private financing from other member countries and internationally, through special investment promotion events and businessmen conferences. Investment insurance, as extended by the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) will also be instrumental to achieving this objective. Again, the various IDB affiliates and windows, such as ICIEC and export financing schemes, could play a significant role in promoting trade among African countries and between Africa and other non-African member countries. Such a scheme, together with technical assistance to attract financing would allow African countries to increase their share of world trade.

7. Development of Islamic Banking and Finance

Since the incorporation of the first fully-fledged Islamic bank in 1975, Islamic banking has grown in number and significance throughout the world (see Box 1.4) for a brief history of Islamic banking industry) Iran, Sudan and Pakistan stand out as the only countries that fully adopt the Islamic principles of finance in the entire financial system. In many other countries, including countries in Europe and America, Islamic financial institutions operate alongside conventional financial institutions. Many conventional banks have opened Islamic windows or separate branches and subsidiaries that specialize in Islamic financial products. This shows increasing recognition of the workability and profitability of Islamic financial services.

BOX 1.4
A TIME LINE IN ISLAMIC BANKING AND FINANCIAL INSTITUTIONS

1950s	● Islamic scholars and Muslim economists start to offer theoretical models of organizing banking and financing as a substitute to Interest-based banking.	● Models of Interest-free Banking based on twotier Mudarabah are proposed.
1960s	● Practice of Islamic principles of finance starts. ● Operational mechanisms for Islamic financial institutions start being proposed.	● Rise and fall of Mitghamr Egypt Saving Associations during 1961-64. ● Establishment of Tabung Hajji Malaysia in 1966.
1970s	● Establishment of Islamic banks and non-banking financial institutions. ● Organizations of academic activities. ● Establishing academic institutions. ● Development of the financial Murabahah mechanism.	● Publications of a number of books on Islamic banking based on profit and loss sharing, murabahah, and leasing. ● Dubai Islamic Bank 1971. ● Islamic Development Bank 1975. ● First International Conference on Islamic Economics, Makkah 1976. ● Center for Research in Islamic Economics, Jeddah.
1980s	● Public sector policy interests. ● More private banks. ● Islamic banking product diversification. ● Interests in the Western academic and financial circles increase. ● Some conventional banks start Islamic Windows. ● More research, teaching and training programs initiated ● Rise of Islamic Index and Mutual Funds	● Pakistan, Iran, Sudan, Malaysia and other countries try transforming overall systems or patronize the Islamic system. ● IMF publishes Working Papers, articles on Islamic banking, Ph.D., research and other publications in the West on the Islamic Banking expansion. ● OIC Fiqh Academy and other Fiqh Boards. ● Establishment of Islamic mutual funds all over the world.
1990s	● Spread of Islamic Windows. ● Progress in Islamic asset-based instruments, Recognition of Systematic importance of Islamic banks and financial institutions	● Establishment of the Dow Jones and Financial Times Islamic Indices. ● Regulation and supervision get momentum. ● AAOIFI standards issued. ● Work on building supporting institutions starts.
Early 2000s	● Continuous growth and maturity but risking challenges. ● Completion of the Islamic financial architecture. ● Concern with risk management, and corporate governance. ● Economic size and mergers.	**Establishing**: ● Asset-based security markets. ● Islamic Financial Services Board, Malaysia. ● International Islamic Rating Agency, Bahrain.

Source: The President, IDB (2002): The Emerging Islamic Financial Architecture: The Way Ahead, presented to the 5th Harvard University Forum in Islamic Finance, Cambridge, MASS, USA, 6-7 April 2002.

Islamic financial institutions are becoming increasingly diverse, including commercial and investment banks, mutual insurance (Takaful), and investment funds. It has been estimated that there are over 180 Islamic banks, managing more than US$200 billion of assets in 2001. Earlier estimates also suggest that the Islamic financial industry grew at a rate of about 15 per cent per annum[25]. Nonetheless, Islamic banks still account for a small fraction of the total financial services in the Muslim world. Therefore, there is a great potential for these institutions to grow for a number of reasons.

The evolution and growth of the Islamic financial industry has been supported by the establishment of a number of institutions that were needed to manage and bring the specialized Islamic financial industry to a competitive level with the infrastructure of the traditional financial industry, both qualitatively and quantitatively. IDB has played a leading role in establishing several supporting institutions, with the view to assisting in the promotion and sustainability of the industry. These include Accounting and Auditing Organization for Islamic financial Institutions (AAOIFI), International Islamic Rating Agency (IIRA), Islamic Financial Services Board (IFSB), International Islamic Financial Market (IIFM), Liquidity Management Center (LMC), and General Council of Islamic Banks and Financial Institutions (GCIBFI).

There is an increasing demand for the people to do business and manage money in compliance with Shariah, especially in view of the increasing return of capital to rich Middle Eastern countries in the aftermath of the events of the September 11, 2001. Indeed, the central premise of Islamic finance is risk-sharing, asset-based nature of finance and control on gambling-like and unethical transactions. The Islamic financial industry has been using these contracts with success during the last two decades and their use is continuously growing worldwide. The expansion of this central premise of the Islamic financial industry can be beneficial in strengthening financial institutions and promoting financial stability. The most pertinent issues include consolidation of the Islamic institutions, application of international standards to Islamic banks, strengthening national regulatory and supervisory capacities, and cooperation with international standard setters.

The consolidation in the financial institutions may take the form of size consolidation. Since the Islamic financial institutions are generally small in size, it is in the interest of the industry to workout cooperative mergers so that viable economic size can be achieved to operate competitively. In addition, there is a need for functional consolidation within various segments of the Islamic financial industry, namely cooperative mergers among banks, insurance companies and other financial entities. In fact this trend enlarges the platform of universal banking which is considered to be much closer to the philosophy of Islamic banking. However, such mergers will require effective consolidated supervision and clearer capital adequacy requirements for various functional entities of a group. In this regard, there is a need for all institutions to comply with the AAOIFI standards and also the adoption or adaptation of the international standards for the special risk characteristics of the Islamic financial industry by IFSB. If the premise of Islamic finance is combined with the implementation of internationally accepted standards of best practices, a more efficient, stable and equitable financial system could be established.

Improving corporate governance is a universal challenge to the business world in general and to the banking financial industry in particular[26]. For the Islamic banking industry, it assumes added significance as the industry is passing an evolutionary stage in terms of developing effective institutional norms, standards, managerial capabilities, and corporate relations. The IDB has prepared a paper identifying the major corporate governance issues and efforts required to address them. The key points of the paper are summarized in Box 1.5.

[25]Following the closure of the International Association of Islamic Banks, there has been no systematic data compilation on Islamic financial institutions since 1997. However, efforts are currently underway at the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank to fill this gap by compiling and publishing an annual directory of information on Islamic financial institutions.

[26]Corporate governance refers to a blend of law, regulation, supervision, and appropriate private-sector practices which together enable the corporation to attract financial and human capital, perform efficiently, and thereby generate long-term economic value for its shareholders, while safeguarding the interests of other stakeholders and the society as a whole.

Box 1.5
Corporate Governance in Islamic Financial Institutions

Given the distinct features of Islamic financial institutions arising from their commitment to the principles of the Shari'ah, corporate governance in these institutions would encompass certain additional stakeholders and issues that may not be found in conventional financial institutions. The primary motive behind this study is to provide certain guidelines that would help improve corporate governance in Islamic financial institutions and thereby enable them to not only maintain the momentum of growth and international acceptance that they have witnessed over the last two decades but also to safeguard the interests of all stakeholders.

The paper discusses some of the most crucial aspects of corporate governance, including its objectives, mechanisms, and tools. One of the most important objectives is the resolution of the principal/agent conflict of interest with a view to promoting the interests of all the stakeholders, as well as the soundness and stability of the financial system. The most important mechanisms for this purpose are the Board of Directors, Senior Management, shareholders and depositors. The paper discusses the measures that need to be taken to make the Board and the Management more effective and accountable in the performance of their roles and to enable the shareholders and depositors to play a greater role in protecting their own interests.

The paper then addresses some of the standard tools that are available for making the Board and the Management more effective and accountable. These include proper internal controls, risk management, transparency, loan accounting and disclosure, Shariah clearance and audit, external audit, and regulation and supervision. It is necessary to apply all these effectively. This will, however, not help dispense with the need for a serious moral commitment on the part of all operators. Without such a commitment, it will be difficult to have self-enforcement. Market operators will try to find different ways of violating the law without getting detected and punished. This would necessitate a rise in legal checks and controls, the effective enforcement of which would raise transactions costs significantly. What is also needed is the establishment of a number of shared institutions to enable the Islamic system to operate effectively. If these institutions do not get established, even banks with the best corporate governance may not be able to avoid crises.

To give a realistic touch to the study, an empirical survey of regulators, financial institutions and depositors was conducted in the IDB member countries. Since Islamic banks have not yet been able to make a significant headway towards the profit-and-loss sharing (PLS) mode of financing, the regulators do not see any significant difference in the risks involved in Islamic and conventional banking. This has become reflected in the regulatory and supervisory environment. Consequently, there is considerable room for regulatory reform to enable Islamic banking to meet successfully the challenges that lie ahead. The results also indicate that there is need for improvement in the composition of the Board of Directors as well as in Management, legal procedures and protection of the rights of stakeholders other than shareholders, particularly depositors. The Survey of depositors indicates that market discipline does play an important role in disciplining the Management of banks. This could, however, be further strengthened if, as a majority of depositors felt, they had representation on the Board.

Source: By M. Umer Chapra and Habib Ahmed,Occasional Paper No. 6, Islamic Research and Training Institute (IRTI), September 2002.

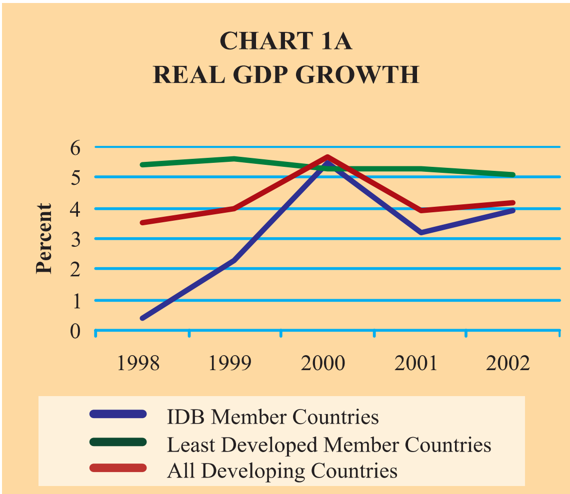


CHART 1A
REAL GDP GROWTH
Percent
6
5
4
3
2
1
0
1998
1999
2000
2001
2002
IDB Member Countries
Least Developed Member Countries
All Developing Countries

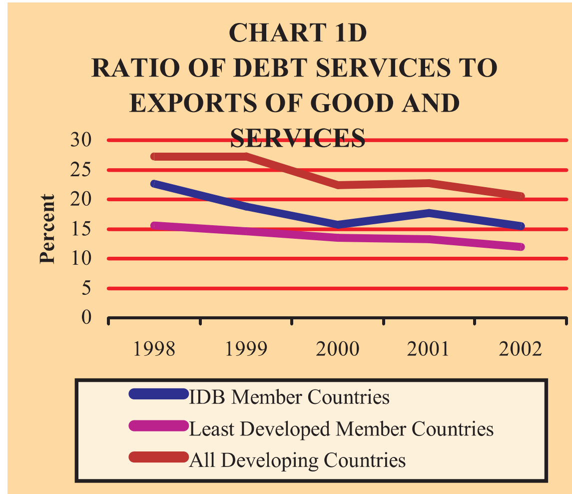


CHART 1D
RATIO OF DEBT SERVICES TO EXPORTS OF GOOD AND SERVICES
Percent
30
25
20
15
10
5
0
1998
1999
2000
2001
2002
IDB Member Countries
Least Developed Member Countries
All Developing Countries

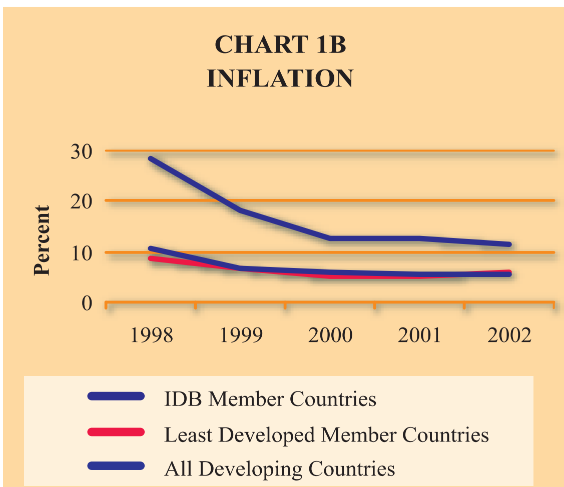


CHART 1B
INFLATION
Percent
30
20
10
0
1998
1999
2000
2001
2002
IDB Member Countries
Least Developed Member Countries
All Developing Countries

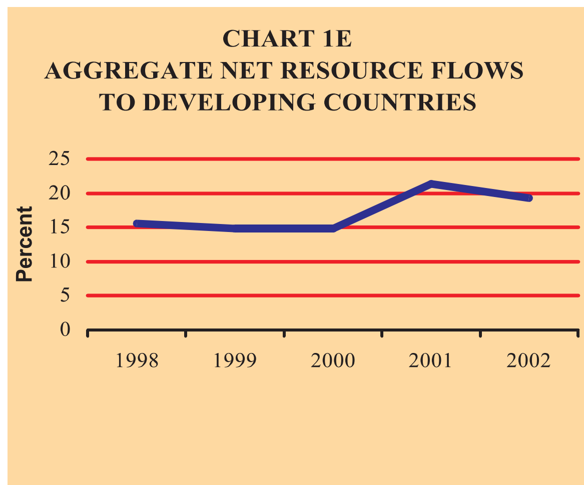


CHART 1E
AGGREGATE NET RESOURCE FLOWS TO DEVELOPING COUNTRIES
Percent
25
20
15
10
5
0
1998
1999
2000
2001
2002

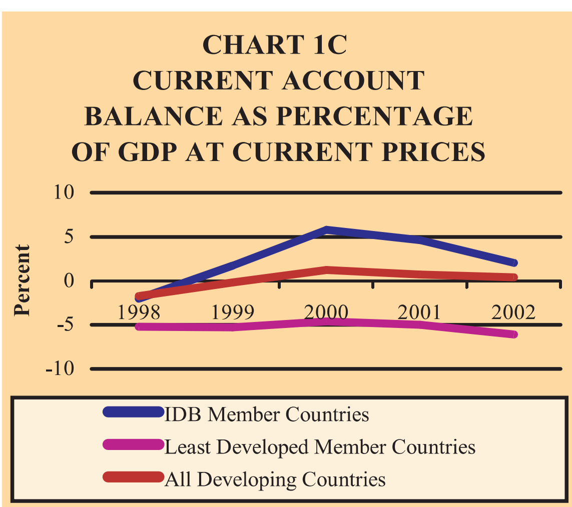
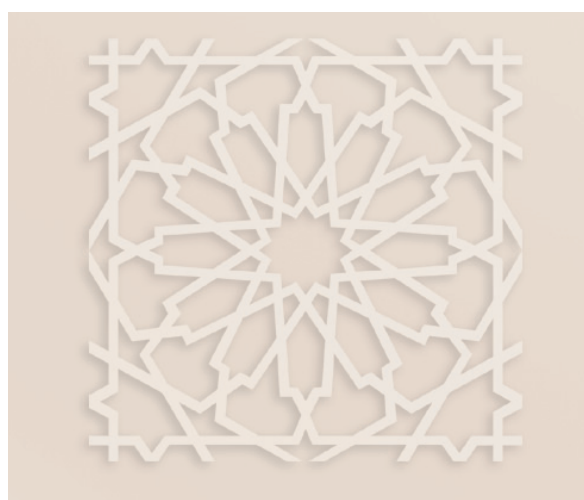


CHART 1C
CURRENT ACCOUNT BALANCE AS PERCENTAGE OF GDP AT CURRENT PRICES
Percent
10
5
0
-5
-10
1998
1999
2000
2001
2002
IDB Member Countries
Least Developed Member Countries
All Developing Countries



Chapter 2

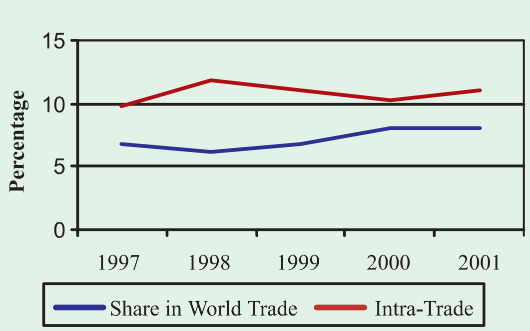
Economic Cooperation among Member Countries

Main Mill - Mugan collector Canal in Azerbaijan.
The Bank has extended a loan of US$ 9.8 million.

HIGHLIGHTS 1423H

- **Intra-trade of member countries:**
  - US$52.4 billion (10.7% of total exports) in 2001, while US$ 51.6 billion (10.8%) in 2000.
  - Intra-trade in regional groups of IDB member countries below 3%, yet just above 10 % in only three countries.
- **Intra-investment among member countries:**
  - Total FDI flow of only US$6 billion in 1985-2000, 70% of this came from 4 member countries, and 90 % went to 6 member countries
- **Expert Group Meeting of six regional groupings in Jeddah on Inter-regional Economic Cooperation will implement a joint work programme.**
- **OIC Framework Agreement on Trade Preferential System came into force: First round of negotiations to start among 12 member countries in Turkey within a year.**
- **IDB Declaration on Cooperation of the IDB Group with Member Countries in Africa adopted: IDB Group to target US$2 billion financing for African LDMCs.**
- **IDB organized four WTO-related activities**
- **Two training programmes under Training Task Force; 94% implementation under Literacy Task Force with US$3.3 million approved for technical assistance in 10 countries.**

IDB MEMBER COUNTRIES TRADE



Promotion of economic cooperation among member countries has been a primary objective of the Islamic Development Bank (IDB) since its inception in 1975. The Bank pursues this objective through its development financing activities in general and through operations relating to trade and technical cooperation in particular. In addition, it actively cooperates with the Organization of the Islamic Conference (OIC) and its affiliated bodies, regional economic institutions, Islamic banks and national development financing institutions in member countries, and other multilateral and regional institutions with a view to building closer economic and financial relations among its member countries. In this context, in order to be able to evaluate the environment within which the IDB functions in a year, it is important to look at the trade and investment flows among member countries, as well as other efforts made at different levels to promote economic cooperation among them. This chapter provides an overview of such efforts, spread in different areas of economic relations among the IDB member countries.

The chapter starts with a brief discussion on trade among member countries (intra-trade), as well as intra-investment, and continues to present an overview of the efforts and activities that aim to strengthen economic cooperation among member countries at the levels of the OIC and its institutions. The chapter also reviews the role played by the IDB in promoting economic cooperation among its member countries, through national development financing institutions (NDFIs), Islamic banks, and regional and international organizations. It concludes by presenting the latest status of Multilateral Agreements among OIC Member Countries.

I. INTRA-TRADE AND ECONOMIC COOPERATION

Trade is widely viewed as an engine of growth. Changes in the production structure, in turn, affect output growth and trade expansion, as well as the extent and scale of trade. Other factors that contribute to the existence of dynamic linkages between trade and development include innovation, developments in technology, organisation and management, international investment, effectiveness of multinational corporations and rapid progress in information technology. As a result, trade among member countries (intra-trade) would serve as an important indicator of overall economic co-operation among these countries that merits careful study.

1. Structure and Direction of Trade of IDB Member Countries[1]

Before undertaking any detailed examination of developments in various aspects of trade among the IDB member countries (intra-trade), it is necessary to examine the overall structure, direction and development of exports of these countries as a group. Table 2.1 provides for the years 1998-2001 the necessary data in this respect, together with the comparable figures on World exports, as well as total exports of Industrial and Developing Countries in groups. One initial and striking observation is that 2001 has been a year during which the world export trade and those in all the categories reported have actually declined by between 2.9 to 5.5 per cent over their levels in 2000. In retrospect, the year 2000 appears to have been exceptional for trade everywhere, looking at the high growth rates for exports in all categories that year. In contrast, 2001 was a year of contraction throughout.

As the IDB member countries are developing nations, the export base and actual level of exports for most of them are already very low. Therefore, negative growth rates from one year to the next should be of serious concern. Although their intra-exports increased by 2.4%, the fact that the exports at the global level and for the groups of industrial and developing countries as a whole have dropped is cause for alarm. The IDB member countries must increase their exports significantly in order to increase their share in total world exports beyond the 6.2 % achieved in 2001. That their exports to the Industrial countries have declined at a higher rate (6.2%) than those to the world as a whole or to the developing countries (5.3%) is not encouraging, particularly since the challenge of the rapidly globalising age is to open up to the markets of the industrial countries who dominate world trade and finance. In fact, the industrial countries as a group continued to dominate the world export market (63.7% in 2001), despite the decline in total exports they experienced from US$ 4,025.2 billion in 2000 to US$ 3,910.3 billion in 2001. Despite such a large drop in actual figures, their share in world exports grew from 63.1% to 63.7%. Meanwhile, the IDB member countries as a group have actually experienced a decrease in their total exports to the world from US$514.2 billion to US$ 491.4 billion, although the decline in their world share was negligible. As for their exports to major country groups, after the 30.7 % jump in the year 2000, there was a decline in 2001 in total exports to the industrialized countries from US$277.4 billion to US$260.3 billion. While there was also a decline in the total exports of the IDB member countries to the developing countries as a group from US$164.5 billion in 2000 to US$155.7 billion in 2001, the intra-trade among these countries grew by US$1.2 billion to reach US$53.9 billion in 2001. Yet, this makes up only 11.0 % of their total exports.

The problem is that for a group of 54 countries such as that of the IDB member countries, which includes major world-wide exporters of oil among them and a number of newly industrialized countries and high export performers like Malaysia and Indonesia, the actual export levels are very low. The IDB member countries as a group will have to expand their exports much faster than both the industrial and the developing countries in order to increase their total share in world exports substantially above their present levels.

2. Intra-Trade Among IDB Member Countries[2]

To reach a fuller understanding of the nature of and directions of change in the overall intra-trade figures given above for the IDB member countries, one needs to review certain aspects of the country level data, which are given in Table 2.2 for the year 2001. Since the total exports figure for each country is also given in the table, it is possible to calculate the intra-trade shares for each, as given in columns 4 and 7 of Table 2.2. It is seen that total intra-exports among the IDB member countries had amounted to US$53.9 billion in 2001, giving a growth of 2.4% over the US$52.7 billion achieved in 2000 (see Table 2.1). This compares highly unfavorably with the 23.9 % growth in intra-exports that had been observed in 2000 over the US$42.5 billion that had been realized in 1999.

The relative share of intra-exports in total trade of IDB member countries came to 11.0 per cent, while the same in the case of intra-imports was realized as 14.1 per cent in 2001. At this point, it would be useful to examine the individual country figures to better understand the overall intra-trade performance.

[1] The growth rates given in this section may not be comparable to those given in Chapter 1 as they have been computed from published data in the IMF Direction of Trade Statistics Yearbook 2002, while those given in Chapter 1 are based on revised data from the IMF World Economic Outlook supplied to the Bank in May 2003. The direction of trade data required for this chapter were not available from the latter source.

[2] Intra-Trade flows can be measured by using either export or import data. The difference between the two is the cost of insurance and freight. For the purpose of analysis in this section, export data are used.

TABLE 2.1

WORLD TRADE: TOTAL, INTER AND INTRA-EXPORTS OF INDUSTRIAL, DEVELOPING AND IDB MEMBER COUNTRIES[1]

From - To	World				Industrial Countries				Developing Countries[2]				IDB Member Countries			
	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001
World																
US$ billion	5400.5	5667.6	6378.7	6141.9	3610.0	3866.4	4242.7	4077.3	1394.0	1418.6	1699.3	1632.7	337.3	333.8	384.5	373.4
Share (%)	100.0	100.0	100.0	100.0	66.8	68.2	66.5	66.4	25.8	25.0	26.6	26.6	6.2	5.9	6.0	6.1
Growth (%)		(4.9)	(12.5)	(-3.7)		(7.1)	(9.7)	(-3.9)		(1.8)	(19.8)	(-3.9)		(-1.0)	(15.2)	(-2.9)
Share in World Export (%)	100.0	100.0	100.0	100.0												
Industrial Countries																
US$ billion	3621.0	3761.8	4025.2	3910.3	2600.4	2755.1	2889.9	2806.0	790.9	797.4	910.8	878.7	201.5	191.5	207.5	200.6
Share (%)	100.0	100.0	100.0	100.0	71.8	73.2	71.8	71.8	21.8	21.2	22.6	22.5	5.6	5.1	5.2	5.1
Growth (%)		(3.9)	(7.0)	(-2.9)		(6.0)	(4.9)	(-2.9)		(0.8)	(14.2)	(-3.5)		(-5.0)	(8.4)	(-3.3)
Share in World Export (%)		66.4	63.1	63.7												
Developing Countries																
US$ billion	1777.2	1903.7	2351.1	2222.7	1008.5	1110.2	1351.5	1270.3	602.2	620.3	787.6	752.8	135.6	142.1	176.8	172.7
Share (%)	100.0	100.0	100.0	100.0	56.7	58.3	57.5	57.2	33.9	32.6	33.5	33.9	7.6	7.5	7.5	7.8
Growth (%)		(7.1)	(23.5)	(-5.5)		(10.1)	(21.7)	(-6.0)		(3.0)	(27.0)	(-4.4)		(4.8)	(24.4)	(-2.3)
Share in World Export (%)	32.9	33.6	36.9	36.2												
IDB Member Countries																
US$ billion	332.6	387.4	514.2	491.4	179.7	212.3	277.4	260.3	101.0	117.3	164.5	155.7	39.5	42.5	52.7	53.9
Share (%)	100.0	100.0	100.0	100.0	54.0	54.8	54.0	53.0	30.4	30.3	32.0	31.7	11.9	11.0	10.2	11.0
Growth (%)		(16.5)	(32.7)	(-4.4)		(18.1)	(30.7)	(-6.2)		(16.1)	(40.2)	(-5.3)		(7.6)	(23.9)	(2.4)
Share in World Exports (%)	6.2	6.8	8.1	8.0												

Source: IMF, Direction of Trade Statistics, CD-ROM, 2003 (March).

[1] The trade flows are analyzed using export figures.
[2] Figures for Developing Countries are net of figures for IDB member countries, i.e. to reach the overall totals for the former group, IDB member country counterparts must be added in each case.

As Column 4 of Table 2.2 indicates, in 2001 twenty-eight member countries had intra-export shares equal to or larger than the 11.0 percent average share for the whole group, and, in 23 of these[3], the said share exceeded 13%. The latter was the intra-trade share target set in relation to the implementation of the 8th Islamic Summit Resolution on "Preparing the Ummah for the 21st Century". The total exports of these 28 countries amounted to US$251.0 billion, making up 51.1 per cent of the total exports of the IDB member countries that stood at US$491.44 billion in 2001. Meanwhile, their intra-exports of US$38.38 billion commanded a share of 71.2 per cent of the total intra-exports US$53.93 billion. In the case of the 23 countries that surpassed the target rate of 13 per cent in 2001, their group share in total member country exports was 37.2 percent, while their contribution to intra-exports was 56.2 per cent.

On the other hand, 14 countries (Algeria, Indonesia, Iran, Iraq, Jordan, Kuwait, Libya, Malaysia, Oman, Pakistan, Saudi Arabia, Syria, Turkey, U.A.Emirates) with intra-exports above the member countries' average of US$1.018 billion were collectively responsible for intra-exports of US$44.55 billion or 84.5 % of the total. Yet, Kuwait, Libya and Turkey in this group did not attain the 13% target share, although they did better than the overall average intra-export share of 11%. It is clear that the hopes for the achievement of the intra-trade target of 13% definitely lies with the major member countries mentioned above, because they are the relatively larger economies and several of them are able to produce a more diverse set of tradable goods.

Developments from one year to the next notwithstanding, the basic inadequacy of the member countries in the vital area of foreign trade overall and amongst themselves (intra-trade) is best reflected in the per capita figures. With a combined population of close to 1.2 billion, the IDB member countries realized export revenues from the world of only US$425 per capita during 2001, of which less than 47 dollars per head came from intra-exports. On the import side, the respective figures were less than 352 dollars for total imports and less than 50 dollars for intra-imports. Given the fact that foreign trade is widely accepted as a major engine of growth and development, and that it can serve as an effective instrument of cooperation among trading partners, the above figures are indeed very low.

All of the above clearly indicate the urgent need for all member countries, especially those among them with larger economies and more diversified output and export structures to apply themselves further to significantly increase the levels of their intra-trade with other member countries. Such an initiative would prove more significant in a world where the expected benefits from the implementation of the Uruguay Round Agreements through the WTO do not appear to be readily forthcoming for most of the developing countries. As a result, the latter continue to face insurmountable barriers to their exports in the markets of the industrial countries.

The IDB, on its part, continues to lay special emphasis on trade promotion among its member countries. The share of intra-trade in IDB trade financing under ITFO and EFS stood at 74.4 per cent in 1423H.

3. Intra-Trade within Regional Economic Organizations involving IDB Member Countries[4]

Many of the IDB member countries also take part in various regional economic and trade cooperation organizations. These include the Gulf Cooperation Council (GCC), the League of Arab States (Arab League), the Arab Maghreb Union (AMU), the Economic Cooperation Organization (ECO), the Commonwealth of Independent States (CIS), the Association of South East Asian Nations (ASEAN), the Economic Community of West African States (ECOWAS), the Economic and Monetary Union of West Africa (UEMOA), the Common Market of Eastern and Southern Africa (COMESA), the Customs Union of Central African States (UDEAC) and the South Asian Association for Regional Cooperation (SAARC). All of these organizations differ in terms of their overall size, as well as the number of IDB member countries that participate in them. Furthermore, while they all aim to expand economic cooperation and integration within the respective regional groupings, some of them appear to be more active and effective than others.

[3] Afghanistan, Benin, Burkina Faso, Cote d Ivoire, Djibouti, Egypt, Guinea, Iran, Jordan, Kyrgyz Republic, Lebanon, Oman, Pakistan, Saudi Arabia, Senegal, Somalia, Sudan, Syria, Tajikistan, Togo, Turkmenistan, U.A. Emirates, Yemen Republic.

[4] See footnote number 2.

TABLE 2.2
INTRA-TRADE AMONG IDB MEMBER COUNTRIES* IN 2001

Sl. No.	Report Countries	Total Exports US$ billion	Intra-exports US$ billion	Share of Intra-exports (%)	Total Imports US$ billion	Intra-Imports US$ billion	Share of Intra-imports (%)
1	Afghanistan	0.080	0.037	46.4	0.600	0.257	42.8
2	Albania	0.319	0.012	3.8	1.345	0.093	6.9
3	Algeria	19.537	1.329	6.8	11.561	0.908	7.9
4	Azerbaijan	2.314	0.162	7.0	1.430	0.466	32.6
5	Bahrain	8.655	0.662	7.7	3.683	1.467	39.8
6	Bangladesh	5.736	0.218	3.8	9.011	0.881	9.8
7	Benin	0.181	0.049	27.1	1.523	0.137	9.0
8	Brunei	3.325	0.037	1.1	1.321	0.331	25.0
9	Burkina Faso	0.163	0.024	14.8	0.529	0.194	36.6
10	Cameroon	1.749	0.091	5.2	1.851	0.165	8.9
11	Chad	0.078	0.006	7.7	0.381	0.028	7.4
12	Comoros	0.037	0.000	0.8	0.079	0.010	12.2
13	Cote d Ivoire	3.642	0.779	21.4	2.546	0.094	3.7
14	Djibouti	0.197	0.135	68.6	0.625	0.172	27.5
15	Egypt	4.140	0.761	18.4	12.720	1.683	13.2
16	Gabon	3.712	0.041	1.1	1.455	0.065	4.5
17	Gambia	0.027	0.002	5.9	0.396	0.078	19.6
18	Guinea	0.543	0.077	14.3	0.499	0.120	24.1
19	Guinea Bissau	0.141	0.003	1.8	0.096	0.017	17.3
20	Indonesia	64.823	4.810	7.4	38.809	4.742	12.2
21	Iran	26.387	3.683	14.0	18.340	2.446	13.3
22	Iraq	11.035	1.038	9.4	5.184	1.099	21.2
23	Jordan	2.292	1.187	51.8	4.871	1.417	29.1
24	Kazakhstan	8.647	0.822	9.5	6.363	0.319	5.0
25	Kuwait	18.656	2.117	11.3	7.867	1.706	21.7
26	Kyrgyz Republic	0.476	0.074	15.6	0.464	0.123	26.6
27	Lebanon	0.923	0.388	42.0	6.396	1.145	17.9
28	Libya	11.241	1.238	11.0	4.367	0.622	14.2
29	Malaysia	88.199	4.951	5.6	73.857	4.711	6.4
30	Maldives	0.172	0.002	0.9	0.436	0.102	23.3
31	Mali	0.146	0.013	9.2	1.355	0.320	23.6
32	Mauritania	0.499	0.058	11.6	0.699	0.114	16.3
33	Morocco	7.117	0.498	7.0	10.978	1.880	17.1
34	Mozambique	0.703	0.003	0.5	0.958	0.049	5.1
35	Niger	0.154	0.007	4.2	0.324	0.108	33.4
36	Oman	10.306	1.605	15.6	5.822	2.239	38.4
37	Pakistan	9.207	1.984	21.5	10.203	4.447	43.6
38	Qatar	12.907	0.815	6.3	4.031	0.673	16.7
39	Saudi Arabia	70.500	10.329	14.7	42.172	3.394	8.0
40	Senegal	0.840	0.180	21.5	2.091	0.162	7.7
41	Sierra Leone	0.054	0.002	2.9	0.427	0.039	9.1
42	Somalia	0.094	0.085	90.3	0.355	0.142	40.1
43	Sudan	1.776	0.264	14.9	1.804	0.397	22.0
44	Suriname	0.516	0.003	0.6	0.512	0.007	1.4
45	Syria	5.489	1.316	24.0	6.357	0.939	14.8
46	Tajikistan	0.652	0.124	19.1	0.688	0.216	31.4
47	Togo	0.220	0.084	37.9	0.355	0.063	17.9
48	Tunisia	6.609	0.732	11.1	9.570	0.925	9.7
49	Turkey	31.197	3.903	12.5	41.399	5.275	12.7
50	Turkmenistan	1.132	0.620	54.8	1.558	0.419	26.9
51	Uganda	0.312	0.022	6.9	0.964	0.039	4.0
52	U.A. Emirates	40.073	6.055	15.1	43.193	9.004	20.8
53	Yemen	3.518	0.494	14.0	3.028	1.166	38.5
	Total	491.438	53.931	11.0	407.455	57.613	14.1

* State of Palestine is not included.
Source: IMF, **Direction of Trade Statistics**, CD-ROM, 2003 (March)

Table 2.3 presents data covering the 1998-2001 period on intra-regional trade[5] among IDB member countries that are also members of the above regional organizations. It is evident that the shares of intra-regional exports of IDB member countries in their total exports have been well below 5 % in AMU, ASEAN, COMESA, UDEAC and SAARC, while they mostly surpassed the 10 % level in ECOWAS, and UEMOA. While these rates were consistently on an upward trend in ASEAN, ECOWAS and UEMOA, the tendency for the intra-trade shares was towards an overall decline in many of the regional groupings.

In the GCC region, where all of the six members are IDB member countries, intra-exports among IDB member countries as a percentage of total exports of these same countries recorded a slight increase in 2001, although, they had experienced a downward trend from 8.0 to 5.5 per cent in 1998-2000. In terms of actual figures, however, while the total trade of the group jumped by 55 % in 2000 and registered a small increase in 2001, the jump in intra-trade was by around 26% only in 2000, followed by a small decline in 2001. This, in fact, was the reason for the decline in the share of intra-trade over the years. The largest

TABLE 2.3
TOTAL AND INTRA-TRADE IN REGIONAL ECONOMIC GROUPINGS OF IDB MEMBER COUNTRIES

Regional Grouping	Intra-regional Exports (US$ billion) (% Share of Intra-regional Exports in Total)				Total Exports (US$ billion)			
	1998	1999	2000	2001	1998	1999	2000	2001
GCC	7.358	7.306	9.234	9.137	92.279	109.024	169.102	161.097
	(8.0)	(6.7)	(5.5)	(5.7)				
Arab League	14.129	14.406	17.720	18.650	134.656	167.655	250.613	235.589
	(10.5)	(8.6)	(7.1)	(7.9)				
AMU	0.881	0.919	0.1076	1.140	26.945	36.626	48.214	45.001
	(3.3)	(2.5)	(2.2)	(2.5)				
ECO	3.012	2.977	3.648	3.687	56.688	66.213	80.481	80.092
	(5.3)	(4.5)	(4.5)	(4.6)				
CIS	0.399	0.324	0.358	0.586	7.817	8.857	14.675	13.221
	(5.1)	(3.7)	(2.4)	(4.4)				
UEMOA	0.752	0.805	0.744	0.761	6.823	6.119	5.616	5.487
	(11.0)	(13.2)	(13.2)	(13.9)				
COMESA	0.019	0.060	0.069	0.095	4.269	4.783	8.398	6.453
	(0.4)	(1.3)	(0.8)	(1.5)				
ECOWAS	0.896	0.970	0.919	0.944	7.985	7.150	6.878	6.609
	(11.2)	(13.6)	(13.4)	(14.3)				
ASEAN	2.640	3.010	3.991	3.931	124.293	135.756	163.415	156.346
	(2.1)	(2.2)	(2.4)	(2.5)				
SAARC	0.137	0.133	0.179	0.148	12.329	13.023	15.067	15.114
	(1.1)	(1.0)	(1.2)	(1.0)				
UDEAC	0.071	0.054	0.029	0.030	4.291	5.074	5.902	5.539
	(1.7)	(1.1)	(0.5)	(0.6)				

* Data relate to intra-trade among IDB member countries in the given region and not for the grouping as a whole.
Source: Based on data from the **IMF, Direction of Trade Statistics**, CD-ROM 2003 (March).

[5] Shares of individual member countries in intra-regional trade of their respective regions are not shown in this table.

contributors to intra-regional exports in 2001 were Saudi Arabia (US$ 4.235 billion) at 46% and the UAE (US$2.602 billion) at 29%.

The League of Arab States is made up of 22 countries, all of which are IDB members as well. Their total exports have increased by 75 per cent from 1998 to 2001, while their intra-exports increased by 32% only. Thus the intra-exports share of the group declined from 10.5% to 7.9% during the said period. While the total exports have declined by around 6% to US$235.589 billion in 2001, the intra-trade increased by 5.2%. The largest contributors to intra-regional exports within the Arab League were Saudi Arabia (40.4%), UAE (16.3%), Oman (5.7%) and Iraq (5.4%), while the remaining 18 countries were responsible for the rest.

The AMU is a regional grouping, where the membership comprises five Arab countries of the Maghreb region all of which are members of the IDB. Because of the overall homogeneity in their economic structures, however, the intra-regional exports as a percentage of total exports of this group have not only been low (around 2.5 %) but also shows a declining trend. Although their total world exports rose from almost US$ 27 billion to US$ 45 billion, their intra-exports increased from below US$ 900 million to a little over US$ 1 billon. The largest contributors to intra-exports were Libya and Tunisia, accounting for around 60 %. Being members in the Arab League as well, the AMU members definitely have the capacity to increase intra-trade amongst themselves much beyond the present levels, provided that they could sustain their transformation towards more diversified production structures and free trade.

In the ECO region, of which nine of the ten countries are also IDB members, the share of intra-regional exports of the IDB member countries in total exports of the same countries is seen to have dropped from 5.3% in 1998 to 4.5% in 1999, but rose slowly in 2001 to reach 4.6%. Once again, the total exports rose sharply in 2000 and recorded a drop in 2001. Yet, although similar developments were observed in intra-trade, the growth rates were much smaller, leading to slight increase in the intra-trade share. Turkey at 31%, Kazakhstan and Turkmenistan at 20 % each were the largest contributors to intra-exports in the region. The total intra-exports of these three countries at US$ 2.193 billion makes up 70 % of the total intra-trade, while the remaining six members accounted for the remaining 30%.

In the CIS region, the share of intra-regional exports among the member countries (all of whom except Uzbekistan are the IDB members), is seen to have steadily declined from 5.1% in 1998 to 2.4%. There was a small increase in 2001. This is because, although the total exports of the region have increased substantially, the intra-exports grew at a much smaller pace. It appears that as these countries complete their transformation, integrate better with the world economy and open up more to the outside markets, their close economic links to one another grow weaker with time, which, in turn, is directly reflected in much slower expansion in their intra-trade, relatively speaking. During the period under consideration, Turkmenistan and Kazakhstan account for 60-70% of the intra-trade. The same dominance is observed in the case of total world exports of the region, although Tajikistan has made a strong showing recently.

In ASEAN only three out of the 10 countries are IDB members. Despite this ’double’ linkage and the fact that in particular Malaysia and Indonesia are world-scale exporters, the intra-trade share has been quite low (around 2 to 2.5%). Malaysia contributed US$1.444 billion (48% of intra-exports in the region) in 1999, which went up to US$1.84 billion in 2001 (46.7%), while Indonesia provided US$1.364 billion (45.3%) of intra-exports in 1999 and climbed steadily to US$2.065 (52.5%) in 2001. Brunei remained below 5% throughout the period. Yet, for the first two countries, their individual shares of intra-exports take up 2-3 % of their total exports. Actually, however, with their world renowned economic and commercial capacities and the diversity of their products, they should be able to contribute much more substantially to the intra-trade within their region and among the IDB member countries as a whole.

The ECOWAS regional grouping comprises 15 least developed countries in Africa, 12 of them being IDB member countries. It is interesting to note that this is a regional grouping that has shown one of the relatively better performances in terms of their intra-exports share. This share has consistently increased from 11.2% in 1999 to 14.3 % in 2001. This seemingly positive development has occurred, however, during a period when total world exports of the region continuously declined. It appears that as the countries in this region were able to sell less to the world as a whole, all they could do was to divert their trade to other countries in the region. This region shows rather well that increasing intra-trade is not necessarily a good indicator for overall development. One suspects that once the existing very low production and export capacities of these countries improve to help them open up to world markets, the share of intra-trade for the region would most probably fall. The best performers in intra-export shares were Senegal, Cote D'Ivoire, Togo and Gambia in terms of shares in total world export. While the first three countries were the relatively most developed in the region, they are not developed enough to export substantially to world markets. They sold goods mostly to countries in the region. In the case of Gambia, the country's very limited overall trade was mostly realised with only a few of the countries in the region.

Eight of the member countries of the UEMOA are IDB members located in West Africa. As is the case in ECOWAS, the intra-trade share of the group is relatively higher and is following a rising trend from 11.0% in 1999 to 13.9% in 2001. Yet, this represents still another instance of regional 'introversion' in trade relations, since the overall world exports of member countries have consistently declined during this period. The member countries in the region seem to have succeeded in expanding their exports only to their regional partners, while their world exports continued to decline.

Within the COMESA, on the other hand, the five IDB member countries belonging to this grouping were able to achieve a generally rising world export total during the period under consideration. The intra-exports demonstrated an upward trend, but their share in total exports remained very low, fluctuating between 0.4 per cent in 1999 and 1.5% in 2001.

Three IDB member countries are also members in the UDEAC regional grouping. They are Cameroon, Chad and Gabon. Table 2.3 shows that the intra-UDEAC trade remain one of the lowest among the regional groups being reviewed, and decreasing from 1.7 per cent in 1998 to 0.6% in 2001. As is the case in most of black Africa, there are difficulties in expanding overall trade. Moreover, the already very small share of intra-trade is actually falling almost continuously to negligible levels. Having greater potentials as compared to most of the countries in Africa, Cameroon and Gabon appear to be the key potential players in expanding not only overall trade of the regional grouping, but also the intra-trade among its members.

The last of the regional groupings that include IDB member countries is SAARC. With India, Pakistan and Bangladesh as the principal partners, it covers a wide area populated by close to 1.5 billion people and with a lot of potential for economic and commercial cooperation. Yet, unfortunately, political differences and difficulties tend to overwhelm and limit a fuller utilization of opportunities for trade and economic coordination. Share of intra-trade in total exports of Pakistan, Bangladesh and Maldives in this grouping remains around one per cent over the years.

II. INTRA-INVESTMENT AND ECONOMIC COOPERATION AMONG MEMBER COUNTRIES

Although trade is an important economic activity that expands consumption and production through a set of dynamic linkages in the national economies, it could not be forthcoming between potential trade partners without diversity in production, complementarities in exportables, productivity and competitiveness, existence of the basic physical infrastructure facilities and availability of the necessary technology. Realization of all of this mix of requirements necessitates substantial outlays in investment.

The IDB member countries comprise a heterogeneous group of developing countries spread over a vast geographical area in four continents inhabiting one fifth of the world's population. They have rich and diverse natural and human resources, vast opportunities for growth and varied aspirations for development in a rapidly changing global environment. Yet, many of them lack the necessary capital accumulation for effective and sustained growth. Meanwhile, others among them have financial resources seeking profitable and secure investments. All of them are in need of technology to boost productivity and efficiency.

It is clear that cooperation through intra-investment would be the optimal solution for the IDB member countries as a group, especially in a global environment when the FDI flows to the majority of the developing countries, including many of the IDB members, have been on a decline. Yet, presently, even though data on intra-investment in these countries is scarce, the available figures show that very few countries are cited as beneficiaries on both the recipient side and as investors. Although lack of consistent reporting at the country level is a factor, it is also common knowledge that actual investments themselves have been too small or missing altogether.

According to UNCTAD and IAIGC cumulative figures covering the period 1985-1999, intra-investments among IDB member countries amounted to US$ 15.4 billion. The principal recipients of intra-investments among the IDB member countries were Saudi Arabia with US$4.46 billion (29.0%), Bangladesh with US$2.61 billion (16.9 %), Kuwait with US$2.54 billion (16.5%), the UAE with US$1.62 billion (10.5 %), Qatar with US$0.69 billion (4.5%), Libya with US$0.58 billion (3.8 %) and Lebanon with US$0.53 billion (3.4 %). The largest investors during the same period were Egypt with US$3.76 billion (24.4 %), Lebanon with US$2.50 billion (16.2%), Syria with US$1.36 billion (8.8%), Tunisia with US$1.26 billion (8.2%), Saudi Arabia with US$1.23 billion (8.0%), Malaysia with US$1.22 billion (7.9%), Sudan with US$ 1.21 billion (7.9%) and the UAE with US$ 0.87 billion (5.6%). In the case of LDMCs where investment is most needed, there is data on Bangladesh, Guinea, Maldives, Senegal, Sudan and Togo, while Lebanon, Malaysia, Kazakhstan, Turkey, appear as the main investors. Jordan, Saudi Arabia, Tunisia, Oman, Egypt and Iran appear as the main investors.

For the IDB, investment in basic infrastructure (particularly road transport) and promoting investment flows in member countries has been an area of primary interest since its inception in 1975. Since 1996, the Bank has organized a number of international investment conferences for the benefit of member countries and Muslim minorities in order to create awareness among investors and to inform them about investment opportunities. It also organized various symposia and workshops on investment related issues, impediments, requirements and environment.

Furthermore, establishment of the Islamic Corporation for the Development of the Private Sector (ICD) and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), provision of lines of financing to National Development Financing Institutions (NDFIs) in support of small and medium size enterprises (SMEs), cooperation with the Association of Development Finance Institutions in IDB member countries (ADFIMI), Islamic Chamber of Commerce and Industry (ICCI) and with Islamic Banks, all aim to promote and support enhanced investment flows in and among member countries, with a special emphasis being placed on private sector development in the member countries.

III. IDB'S COOPERATION WITH THE ORGANISATION OF THE ISLAMIC CONFERENCE (OIC)

As a clear reflection of its basic aim to help promote economic and commercial cooperation among its members, the IDB has always demonstrated a clear interest in the activities of the Organization of Islamic Conference (OIC), which was implemented in its creation, and where one basic prerequisite for countries to join the Bank is to hold OIC membership. In this sub-section, the forms and results of this special relationship are reviewed in its different facets.

1. Cooperation at the OIC Level

An important facet of the IDB's activities is aimed to help promote and strengthen economic cooperation among its member countries. This includes its close cooperation with the General Secretariat of the Organization of the Islamic Conference (OIC), and its subsidiary organs, specialized institutions and affiliate organizations. The IDB has developed strong working relationships with these latter institutions, which particularly contain the Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRTCIC), the Islamic Center for Development of Trade (ICDT), the Islamic University of Technology (IUT) in Dhaka and the Islamic Chamber for Commerce and Industry (ICCI) in Karachi. These institutions regularly undertake activities in areas of special interest to the IDB. The co-operation between the IDB and these institutions includes collaboration in joint information, research and training activities, participation in each others' meetings and holding consultative meetings on the periphery of the annual COMCEC and ICFM sessions to exchange information, views and experiences at the service of the Ummah.

The Bank has not only actively and regularly participated in the OIC Summit Conferences, the annual meetings of the Standing Committee for Economic and Commercial Cooperation (COMCEC) and of the Islamic Conferences of Foreign Ministers (ICFM), but also carried out specific assignments for various OIC forums. In this connection, the IDB took part in the Twenty-ninth Islamic Conference of Foreign Ministers that was held in Khartoum on 25-27 June 2002. The Bank has provided financial support to the Project on the Restructuring of the OIC General Secretariat and its Role in Facing the Challenges of the New Millennium. The Bank was also present at the Twenty-sixth session of the Islamic Commission for Economic, Cultural and Social Affairs held in Jeddah on 11-15 January 2003, where draft resolutions were prepared for the Thirtieth Islamic Conference of Foreign Ministers to be held in Teheran in May 2003. The Bank submitted reports on its activities to all of these meetings, giving detailed information on the tasks that had been assigned to it by various forums of the OIC.

2. Cooperation at the COMCEC Level

One particular forum of great importance to the IDB is the COMCEC, which is the Summit level Ministerial committee of OIC Economy and Trade Ministers. This Committee convenes annually to discuss specific agenda prepared by the annual meetings of the Follow-up Committee of the COMCEC. The Bank not only reports on various facets of its activities to this summit-level Committee, but also undertakes tasks assigned to it. Also, during these meetings the IDB holds consultative meetings with the OIC institutions such as SESRTCIC, ICDT and ICCI, where possibilities for joint activities are discussed in areas of common interest relating to promotion of economic, commercial and technical cooperation in support of the major cooperation agenda discussed and resolved by the Ministers. The Bank organized the fifth of these consultative meetings at its headquarters in Jeddah on 13 January 2003.

The Eighteenth Session of the COMCEC that met in Istanbul, Turkey from 22 to 25 October 2002, considered a number agenda items such as the World Economic Development with Special Reference to the OIC Member Countries, Supporting the Reform of the International Financial Architecture, Review of the Plan of Action and the Acceleration of its Implementation, Expansion of Intra-Trade, Matters Relating to the World Trade Organization (WTO), Ninth Private Sector Meeting for the Promotion of Trade and Joint Venture Investment Among OIC Member Countries. The theme of the Exchange-of-Views Session was "Private Sector Investment in the Member States and the Role of IDB". In preparation for this Meeting, the Bank provided financial support for the organization of a workshop under the same title and presented a substantive paper on the subject. It was decided that the Exchange-of-Views Session during the Nineteenth Session of the COMCEC should be "Impact of Electronic Commerce and Use of Information Technology in the Promotion and Development of Intra-OIC Trade. The IDB was requested to contribute to the workshop on the said theme to be organized in collaboration with a number of related OIC institutions.

3. Progress in the Implementation of the OIC Plan of Action

The implementation of the revised 1994 OIC Plan of Action has been observed to be quite slow. Thus, since the adoption of the Plan of Action, only three of the foreseen sectoral expert meetings were held. Yet, in one sector of the Plan, namely Tourism, the Third Ministerial Meeting was held in Riyadh in October 2002. Although holding of such high-level meetings in one of ten sectors of the Plan of Action is a highly positive development, progress is needed in other sectors as well.

One recent development in support of the efforts to speed up the implementation of the Plan of Action was the Expert Group Meeting on Accelerating the Implementation of the OIC Plan of Action to Strengthen Economic and Commercial Co-operation, held in Istanbul in May 2001. The experts have come up with a number of recommendations that included the need to involve the private sector in the member countries with the actual implementation process and to develop practical ways that will help generate project proposals in different sectors and facilitate their rapid realisation. It was recently proposed, in this connection, that the IDB and the relevant OIC institutions could also take part in and support the implementation of the Plan of Action, especially at the project stage. For this purpose, the Fifth Consultative Meeting of the OIC Institutions and the IDB, held at IDB Headquarters on 13 January 2003, decided to form a Working Group within itself to finalize the preparations requested by the COMCEC on this subject.

4. Cooperation at the COMSTECH Level

The Bank has carried on with it close cooperation with the Standing Committee for Scientific and Technological Cooperation (COMSTECH), which also involved a number of specific assignments, in addition to allocation in support of enhancement of scientific and technological development of the Islamic Ummah. Moreover, the Bank has been involved with projects promoted by the COMSTECH, such as the promotion of biotechnological research in member countries, to help better utilize the existing vast resources and potentials particularly in the agricultural sectors in the member countries. Moreover, the Bank continued with its M.Sc. Scholarship Program for candidates from member countries in cooperation with COMSTECH.

The cooperation between the IDB and the COMSTECH also extends into the implementation of various COMSTECH sponsored country projects. These include (i) state of the art seminars of Inter-Islamic Networks on Science and Technology in Oceanography, Water Resources, Genetic Engineering, Space Sciences, Renewable Energy Sources, and Tropical Medicine); (ii) Young Researchers Support Program; (iii) Science and Technology Expatriate National Scheme; (iv) Establishment of S&T Centres of Excellence in member countries.

5. Status Regarding the Signature and Ratification of the Multilateral Agreements Among OIC Member Countries

Recognizing the importance of ensuring the appropriate legal, institutional and economic environment for promoting economic, commercial and technical cooperation among it member countries, the OIC has developed and approved a number of multilateral agreements and statutes to facilitate such cooperation in different ways and sectors. Some of these have become effective upon completion of the minimal legal requirements provided in the text of the agreement, while others wait for the completion of the necessary legal procedures. The details relating to the latest state of these agreements are given below.

(i) General Agreement on Economic, Technical and Commercial Cooperation Among Member States

This Agreement was adopted as per Resolution No 1/8-E of the 8th Islamic Conference of Foreign Ministers (ICFM) held in Tripoli, Libya on May 16-22, 1977. It "aims at encouraging capital transfer and investment, exchange of data, experience, technical and technological skills among member states and at facilitating the implementation of a fair and non-discriminatory treatment among these countries while giving special attention to the least developed member states". This Agreement became effective from April 28,1981. So far it is signed by 41 Member States and ratified by 28.

(ii) Agreement on the Protection and Guarantee of Investments Among Member States

This Agreement was adopted as per Resolution No 7/12-E of the 12th Session of the ICFM held in Baghdad, Iraq on June 1-6, 1981. It spells out the basic principles governing the promotion of capital transfers among Member States and the protection of investments against commercial risks while guaranteeing the transfer of capital and its proceeds abroad. The Agreement became effective in February 1988 when 10 Member States ratified it. Up to now it is signed by 30 Member States and ratified by 20.

(iii) Framework Agreement on Trade Preferential System

This Agreement was adopted as per Resolution No 1 of the 6th Session of COMCEC held in Istanbul, Turkey, on October 7-10, 1990. In this Resolution, the OIC General Secretariat was "requested to contact Member States to expedite the formalities of their joining the Framework Agreement and urged Member States to start in the meantime, bilaterally or through COMCEC, exchanging lists of respective offers of concessions and initiate informal consultations on them as a prelude to the future negotiations on the said concessions". As at the end of 2002, 12 of the 23 Member States that had already signed the Agreement have also ratified it. Thus, having secured the minimum necessary 10 ratifications, the Framework Agreement became effective in October 2002. The first round of negotiations is set to start in Turkey within a year.

(iv) Statute of the Islamic Civil Aviation Council

Adopted at Niamey, Niger, on August 22-26, 1982. It has been signed by only 16 Member States and is ratified by only 7. Accordingly it has not yet become effective.

(v) Statute of the Islamic States Telecommunications Union (ISTU)

Adopted as per Resolution No 17/15-E of the 15th ICFM held in Sana'a, Yemen, on December 18-22, 1984. Having been signed by 13 Member States, but ratified by only 10, the Statute has not yet entered into force, since a minimum of 15 ratifications are needed for it.

(vi) Statute of the Standards and Metrology Institute for the Islamic Countries (SMIIC)

Adopted in Istanbul, Turkey, on November 1-4, 1998. The signing ceremony was held during the 15th COMCEC when 3 Member States signed. Up to now 6 signatures have been recorded and only 2 Member States have ratified the Statute.

6. Activities of the Task Forces established in Priority areas of Cooperation in the Implementation of the 8th Islamic Summit Resolution

Activities continued relating to the Islamic Summit Resolution that endorsed the IDB document entitled "Preparing the Ummah for the Twenty-first Century" and called for the translation of the recommendations outlined in it into practical programs with qualitative and quantitative objectives. In line with the relevant OIC resolutions on the matter, the task forces established in the priority areas of intra-trade, training, literacy and health continued to work on the quantitative targets already set in each area.

In the area of Intra-trade, the target was to help bring up the share of intra-OIC trade from 10 % to 13 % in three years. In this connection, the IDB had already increased the annual allocation of ITFO to US$1 billion, approved technical assistance of US$5 million for trade related co-operation and intensified efforts to increase lead syndication and two-step Murabaha financing for the LDMCs. In terms of actual implementation, in 1423H approvals under ITFO reached US$1.4 billion, while the same figure under the EFS amounted to US$ 227.20 million. Out of these amounts 71% of the ITFO approvals and all those under EFS were for intra-trade. Despite these efforts, the actual shares on intra trade discussed earlier in this chapter attest to the need to do more. At this point, it should be underlined once more that the member countries themselves will have to play greater roles as well in achieving the set target.

The target in the area of Training was to increase by 30 per cent the number of people trained by the various OIC institutions, including the IDB, in their respective fields of competence over three years. The Task Force on Training has been set to meet regularly to assess the training needs and seek out the resources and facilities available for training within and outside the Islamic world. In this regard, during the latest phase, the following programs were organized jointly with the OIC-affiliated institutions:

- Workshop on Development Indicators, Beirut, Lebanon, 12-14 June 2002, held in collaboration with the Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRTCIC), Ankara and ESCWA, Beirut.
- Training Course on Digital Communication Technology, Dhaka, Bangladesh, 17-26 December 2002, held in collaboration with the Islamic University of Technology, Dhaka.

The five-expert Task Force on Health had already devised with seven programmes. The IDB Management adopted the programme on "Self-Reliance in Vaccine Production" The Board had earlier approved an allocation of US$5.6 million for a feasibility study of vaccine production in the OIC Countries. It was decided to develop an Action Plan for the actual implementation of the Vaccine Production Program and to establish a Consortium of vaccine producing facilities.

The Task Force on Literacy, made up of IDB and experts from ISESCO, ALESCO and UNESCO, had called for the reduction in illiteracy to the minimum in the member countries that experience high rates of illiteracy. The IDB already allocated US$3.5 million for technical assistance in this area. The Illiteracy Eradication Program includes six sub-projects to be adhered to by the 18 eligible member countries according to their needs. The Program also called for the Bank to accord special priority to four member countries with relatively high illiteracy rates and to devise suitable projects. So far 94% of the programme was implemented, and 11 Technical Assistance Grant Operations totaling US$3.3 million have been approved for 10 countries, 8 of them for the LDMCs.

IV. IDB'S COOPERATION WITH MEMBER COUNTRIES AND MUSLIM COMMUNITIES

In addition to its regular operations, the IDB carries various other assistance, capacity-building, information, education, research, emergency relief and development related activities that directly benefit member countries and Muslim Communities. This subsection briefly reviews these diverse activities, facilities and programmes.

1. Assistance to Member Countries on the WTO Related Matters

At the conclusion of the Uruguay Round in 1994, the World Trade Organization (WTO) was established to develop an orderly, equitable and rule-based international trading system. It was to set rules for international trade and trade-related activities, provide a forum to multilaterally negotiate trade liberalization, settle disputes between contracting parties, provide information on trade and trade policies and work in co-operation with other multilateral bodies. As a result, this new multilateral trading system under the WTO was set to help liberate world trade to a larger extent and help generate a number of market access benefits. As the WTO worked on these objectives, however, it has also placed steep obligations on the developing and the least developed countries. These included various notification requirements under the WTO agreements, restructuring of domestic laws and implementation of tariff commitments.

Yet these obligations emanating from the WTO agreements started to present themselves as formidable tasks and major challenges for the developing countries in general and the LDCs in particular. In response to the imminent needs of its member countries in this area, and pursuant to the relevant COMCEC resolutions on the subject, the IDB launched an extensive Technical Assistance Program that proceeded along two main channels. One was primarily in the area of capacity building in the areas of need of the member countries, especially those interested in joining the WTO. The second group of activities aimed to prepare the member countries that are already members of the WTO for coordinating their positions on major issues in the context of the WTO ministerial meetings, and to help them in relation to future negotiations. The WTO-related Technical Assistance Program of the IDB covers a number of activities, including the holding of workshops/seminars on WTO Agreements, organization of Trade Policy Courses, and undertaking of country-specific projects and subject-specific studies. The IDB has also been organizing consultative meetings of the OIC member countries as a forum for exchange of views on issues relating to the WTO and its ministerial conferences.

In 1423H, the IDB organized the following WTO-related activities:

1. Three-Week Trade Policy Course in English, Istanbul, Turkey, 13-31 May 2002.
2. Workshop on Private Sector Investment in Member Countries and the Role of IDB, Istanbul, Turkey, 14-16 September 2002.
3. Consultative Meeting of the OIC Countries to Discuss and Evaluate the Results of the Doha Conference and their effects on them, and to Prepare for the Forthcoming Trade Negotiations, Jeddah, Saudi Arabia, 28-29 October 2002.
4. Seminar in French on Dispute Settlement Mechanism, Anti-dumping and Safeguard Agreements, Dakar, Senegal, on 11-13 March 2003.

2. Efforts of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) has been established as a subsidiary of the IDB with an authorized capital of ID 100 million. The ICIEC aims to provide: (i) export credit insurance and re-insurance to cover non-payment of export receivables resulting from commercial (buyer) and non-commercial (country) risks and (ii) investment insurance and re-insurance against country risk, mainly the risk of exchange transfer restrictions, expropriation, war and civil disturbance, and breach of contract. The Corporation operates in conformity with the Shari'ah principles.

During 1423H, ICIEC continued implementing its marketing strategies through national and international promotional seminars, presentation seminars, follow-up visits to member countries and meetings with exporters and bankers. By the end of the year, the Corporation had a total of 70 policies in force, with current commitments reaching US$ 265 million and its exposure amounting to US$ 126 million. In 1423H, it paid claims of US$ 4.72 million (see Chapter 5 for further details).

3. The IDB 1423H Symposium on "Women in Poverty Alleviation: Better Access to Education and Micro-Finance"

The Thirteenth IDB Annual Symposium was held in conjunction with the Twenty-Seventh Annual Meeting of the Board of Governors in Ouagadougou on 16 Sha'baan 1422 H (22 October 2002). The topic of the Symposium was "Women in Poverty Alleviation: Better Access to Education and Micro-finance". The Chairman of the IDB Board of Governors, H.E. Seydou Bouda, Minister of Economy and Development of Burkina Faso inaugurated the first session of the Symposium. A welcome address was also delivered by the IDB President. The keynote speaker was Madam Bintou Sanogoh, UNFPA Regional Country Support Team, Dakar, Senegal, and former Minister of Finance of Burkina Faso. She made an oral presentation on the role of women in alleviating poverty, particularly in IDB sub-Saharan member countries. The panelist was Madam Aicha Bah-Diallo, Deputy Assistant Director-General for Education and Director, Basic Education Division, UNESCO, Paris, and former Minister of Education of Guinea. In her presentation, she focused on better access of women to education. Both speakers submitted suggestions to be considered at regional, national and IDB levels (see Box 2.1).

H.E. Jean Baptiste Compaor , Minister of Finance and Budget of Burkina Faso chaired the second session of the Symposium. The general discussion covered the importance of promoting the role of women in the process of economic development, in general, and in alleviating poverty, in particular. More specifically, the Symposium focused on how to improve the access of women to education and micro-finance for poverty alleviation. One of the main areas covered at the Symposium was Islamic teachings and values about the role of women in economic development and poverty alleviation. The discussion also helped in defining an appropriate course for action at both regional, national and IDB levels and the areas that may require greater cooperation between the IDB member countries. The presentation of the major conclusions and recommendations of the Symposium was made during the closing session of the IDB Board of Governors by H.E. Hyppolite Lingani, Minister of Infrastructure, Transport and Habitat of Burkina Faso.

4. Technical Co-operation Programme

The Technical Cooperation Program (TCP) of the Islamic Development Bank is devoted to the promotion and enhancement of the quality of the human resources in the member countries.

The basic objectives of the program are:

- To mobilize the technical capacity expertise and training capabilities of IDB member countries for the purpose of fostering collaboration amongst them,
- To promote opportunities through exchange of experience, information and appropriate technologies in line with the development needs of member countries,
- To alleviate the managerial, technical and institutional constraints of project implementation and efficiency.

The Programme attempts to realise these objectives through Provision of on-the-job Training, Study/ Familiarisation visits and Recruitment of Experts and organisation of Seminars/Workshops. The Programme priorities cover the areas of agriculture, industry, financial reforms including banking, infrastructure development, education, health, transport, telecommunication, solar energy, environment and science and technology. Special consideration is given to needs expressed by the CIS and the Least Developed Member Countries of the Bank.

In 1423H, the TCP approved 110 operations amounting to US$1.97 million. (Further details of the TCP operations are given in Chapter 3).

5. Promotion of Cooperation among Member Countries in Private Sector Development

The private sector is widely accepted to have a key role in moving towards global economic integration and it also gains the most from it, especially in the face of the reduced roles of the governments in the management of the national economies. The IDB member countries are seen to be encouraging to a greater extent their respective private sectors to take up greater roles in their national development. An increasing number of member countries are active in implementing broad policy reforms, mainly in the areas of price liberalization, lifting of controls on foreign exchange and on trade restrictions, as well as in the form of tariffs reductions.

The IDB for its part, has marked private sector development as a major development theme and set out to promote it through its financing and other activities. In this connection the IDB has been making every effort to expand its resource mobilization efforts to better accommodate the needs of its member countries and their private sectors. Several entities have been established in this connection to form the

Box 2.1
Recommendations of the Symposium on Women in Poverty Alleviation: Better Access to Education and Macro-Finance

The Symposium has made a number of recommendations that may be considered for action at the regional, national and IDB levels:

A. At the Regional Level

OIC/IDB member countries may, within the framework of the Organization of the Islamic Conference (OIC), consider:

1. Developing a "Charter for Women in Development" based on Islamic principles and pursuing all efforts to gradually remove obstacles against the effective participation of women in the mainstream of socio-economic development.

2. Assisting in the formation of a " Forum for Women" with the objective to further enhance the ongoing economic cooperation among its member countries.

B. At the National Level

IDB member countries, particularly least developed member countries (LDMCs), may consider:

1. Ensuring effective integration of women in poverty reduction strategy and enhancing their role in the execution of such a strategy.

2. Actively pursuing all efforts in order to achieve the MDGs in education, particularly for girls, and assist traditional schools in imparting necessary knowledge and skills for better employment opportunities.

3. Developing appropriate strategy and regulatory framework for enhancing and establishing adequate institutions for the promotion of micro-finance.

C. At IDB Level

The IDB may consider:

1. Constituting an "IDB Advisory Panel of Eminent Women" for assisting IDB in developing a suitable strategy for the promotion of the role of women in poverty reduction as well as the identification of viable programs and projects to be implemented within the framework of this strategy.

2. Strengthening the capacity of concerned departments within the IDB Group dealing with women for effective implementation of IDB strategy, programs and projects in this area.

3. Pursuing the efforts in the area of promoting basic education and enhancing the assistance in capacity building of the traditional schools with the objective to :

   - Keep girls in the educational system up to the secondary and tertiary education,
   - Help in training teachers, especially women, for a better education quality.

4. Enhancing the role of IDB Group in the promotion of micro-finance by:

   - Helping in sharing experiences between member countries for the development of appropriate regulatory framework and suitable institutional structure for micro-finance, and
   - Studying the possibility for expanding the scope of the lines of micro-finance provided by the IDB to the financing of commercial activities of micro and small entrepreneurs.

"IDB Group". The latter came to include in addition to the IDB itself, the Islamic Corporation for the Development of the Private Sector (ICD), the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), the IDB Infrastructure Fund, the Islamic Banks Portfolio (IBP), and Unit Investment Fund (UIF), which mobilizes resources from the private sector.

Furthermore, in support of investments in small and medium size enterprises in member countries, the Bank provides lines of financing to the national development financing institutions (NDFIs). The aim is to impart a significant and direct impact on the economic development in member countries through the intermediation of private and public sectors institutions in the member countries themselves. In similar regard, the Bank also participates in the equity capital of Islamic financial institutions and of enterprises whose financial structure and operations are compatible with Shari'ah.

Recognizing the fact that small-scale enterprises provide the larger part of private sector employment, including self-employment, in member countries, the Bank has also launched financing schemes in support of such enterprises, particularly to the governments on advantageous terms, similar to the lines of financing extended to the NDFIs.

The special development needs of the Least-Developed Member Countries (LDMCs) have always been and continue to be of particular interest for the Bank. Within the context of the special efforts made to support these countries, the Bank's assistance targets key sectors, such as human resource development, water supply, agriculture and feeder roads. Furthermore, it is an established policy of the Bank that the majority of operations benefiting the LDMCs would carry highly concessional terms.

The IDB is convinced that promoting trade among groups of countries can be a very powerful catalyst for fostering wider economic co-operation among them. Consequently, it devotes a great deal of effort and substantial amounts of it resources in favor of expanding trade among its member countries. Towards this end, several financing schemes have been developed to enable its member countries, on the one hand, to import inputs needed for their development and, on the other, to be able to export non-traditional commodities and capital goods. It is also a fact that IDB's trade financing operations provide temporary relief to the member countries against foreign exchange shortages. The Import Trade Financing Operations (ITFO) and the Export Financing Scheme (EFS) comprise the two main schemes utilized in these operations and are discussed in detail in Chapter 4.

The Trade Cooperation and Promotion Programme is another important instrument for the IDB to promote trade among its member countries. The Programme aims, among other things, to strengthen trade relations, allow for exploring potential areas of trade cooperation, and seek new opportunities for trade expansion among member countries. The programme aims to increase awareness and information in the member countries on existing and potential trade opportunities. This is mainly realized by organizing workshops, trade fairs and exhibitions, training courses and by financing of studies.

There are a number of other activities undertaken by the Bank in support of private sector development in member countries, primarily in promoting economic and financial co-operation among member countries at different levels. In this connection, the Bank and the Association of Development Finance Institutions in IDB member countries (ADFIMI) have been organizing seminars on topical issues, with a special focus on development and institutional strengthening of the SMEs in member countries. On the other hand, the General Council of Islamic Banks and Financial Institutions aims to organize, supervise and enhance co-operation and co-ordination among Islamic banks.

Finally, the IDB has been active in marketing its products and services to customers in member countries, especially for the benefit of the private sector. The Bank works closely with the chambers of commerce and industry in member countries in this marketing endeavor. Furthermore, through contacts with existing and prospective customers, comments and contributions have been sought to help effect improvements in the system, as well as in operations and procedures. The aim was to be able to accommodate customers' needs more effectively.

6. IDB Declaration on Cooperation of the IDB Group with Member Countries in Africa

On the Occasion of its 27th Annual Meeting, held in Ouagadougou (Burkina Faso), the Governors of the Islamic Development Bank adopted the Declaration on IDB Group Cooperation with Africa, whereby they have "reaffirmed the commitment of the IDB Group to accord specific attention to these countries under its operational activities". It was declared that the IDB would aim at accelerating economic growth and contributing to the fight against poverty. While the social sectors will be the main beneficiaries of IDB financing, growing support will also be extended to a number of priority areas and activities.

In terms of suitable financing instruments reference was made to concessionary loan financing, fuller utilization of IDB's trade financing facilities, usage of innovative structured finance and export-credit insurance. It was decided that the IDB group should target an overall financing of US$2 billion for the African LDMCs. Furthermore, the Board of Executive Directors (BED) has been requested to adapt IDB's policies and procedures to ensure rapid and efficient resource utilization on the, one hand, and to work out an innovative approach to encourage all African member countries to make fuller use of IDB's trade financing facilities, on the other. Finally, the African member countries themselves were invited to propose well-prepared projects to facilitate effective participation by the IDB Group. The salient futures of the Declaration is given in Box 2.2.

7. The International Center for Bio-saline Agriculture in the UAE

The Center for Bio-saline Agricultural Centre (ICBA), UAE was established with the initiative of the IDB, as a reflection of the Bank's continued interest to provide support and assistance to the development of agriculture in the member countries. It is an institution that is set mainly to focus on forage and environmental greening projects in the countries of the Gulf Co-operation Council, and is dedicated to research and development on saline irrigated agriculture. The ICBA is mandated to support scientific and technical cooperation and manpower development through special programs targeted to areas where agricultural production is limited by inadequate soil conditions and water salinity. In this context, the Centre has set up a network of contacts throughout the world, and has been developing cooperation agreements and implementing joint projects in collaboration with a number of national, regional and international organizations.

In 1423H, the ICBA continued to implement collaborative projects in the public and private sectors in several IDB member countries, including those undertaken with various ministries, agencies and private companies. The Centre has also organised training courses on bio-saline agriculture. Furthermore, it secured financial support from the OPEC Fund for International Development and International Atomic Energy Agency so that technicians and scientists from the least-developed IDB member countries could participate in the training courses at the ICBA that aimed to facilitate technology exchange between IDB member countries.

(The activities of the ICBA are discussed in greater detail in Chapter 5 of this Report.)

8. Assistance to Muslim Communities in Non-Member Countries

The IDB has two major programs that not only play an important role in promoting cooperation among member countries, but also substantially benefit Muslim Communities in non-member countries.

Of these, the IDB Special Assistance Program aims: (i) to foster economic development and social progress for Muslim communities in non-Muslim countries world-wide, mainly through institution-building and development in the educational, health and social sectors, as well as through capacity-building initiatives aimed at promoting economic, financial and banking activities; (ii) to provide assistance and relief for member countries and Muslim communities around the world in cases of natural disasters and famine; and (iii) to relieve the plight of Muslim refugees world-wide. In 1423H, 30 operations worth US$6.4 million were approved for Muslim communities and organizations in 18 non-member countries.

The IDB Scholarship Program for Muslim communities, on the other hand, provides deserving and needy students from these communities with an opportunity to pursue undergraduate or first-degree studies in selected fields in member countries. In 1423H, a total of US$1.023 million was spent on the Program. A total of 2,549 students are presently continuing their studies.

(The details of the IDB's Special Assistance Activities are discussed in Chapter 3)

9. Cooperation through Consultancy Services

One important manifestation of the IDB focus towards promotion of economic cooperation among member

Box 2.2
Declaration on IDB Group Cooperation With Africa

The Governors of the Islamic Development Bank (IDB), assembled in Ouagadougou (Burkina Faso) on 16-17 Shaban 1423H (22-23 October 2002), on the occasion of the 27th Annual Meeting.

The Governors observed that, in spite of the assistance extended by the member countries and the international community to African countries, most of them run the risk of being marginalised in the globalise environment. Although the IDB has also actively extended assistance to its African member countries, which have obtained 60% of its concessional financing, it became necessary to streamline and strengthen such cooperation for increased effectiveness and efficient results in the future. Success will also depend on national policies and strategies, on results of recent initiatives, including the New Partnership for Africa's Development (NEPAD) and on full commitment of the recipient countries. The other key points of the declaration adopted by the meeting are summarised below:

Priority Sectors

In selecting its fields of intervention in Africa through close consultation with the countries concerned, IDB Group will aim at::

- accelerating economic growth and contributing to the fight against poverty while reducing the wide disparities between rural and urban areas.
- ensuring that support is also extended to income generating activities.
- giving the highest priority to basic education along with teachers training, technical education and vocational training as one key to break the poverty curse.
- encouraging regional projects in development-oriented higher education. It will also ensure that African countries suitably benefit from IDB's scholarship programs.
- supporting joint African projects to help redress the lack of suitable infrastructure in many African countries.
- helping provide safe drinking water, encourage efficient utilization of water resources for agricultural purposes and remain in harmony with environmental features.
- according particular attention to primary health care, to improve access to basic treatment in rural areas, and support initiatives launched to combat malaria, through prevention, research and treatment.
- giving a special importance to the promotion of private sector, particularly at the level of small and medium size enterprises for growth and to create rural employment through micro-finance schemes.
- seeking to attract private financing from other member countries and around the globe through special investment promotion events and businessmen conferences.
- supporting African member countries, through technical assistance or attractive financing to allow them to take their share in world trade by promoting intra-trade, through the use of IDB Group facilities and windows.
- strengthening the capacity of the institutions to provide technical and financial support to assist in key fields.

Operational Aspects

In order to carry out and strengthen its financing activities in Africa, the IDB will:

- rely on cooperation among the African countries themselves and between them and member countries from other regions, and study the opportunity of involving NGOs to ensure speedy and efficient projects implementation.
- help facilitate exchange of experience and expertise, support direct investments and joint-ventures, encourage contractors and consultants.
- give preference, to activities that will attract support from donor countries and other international institutions.
- promote activities of Islamic banks and institutions, encourage their establishment in the region, as an instrument for mobilizing domestic savings and attracting foreign investment.

Financing Instruments

In order to implement the above, the IDB Group will:

- continue to provide the LDMCs appropriate concessionary ordinary loan financing.
- continue to provide debt relief through the HIPC initiative to member countries.
- ensure that the African LDMCs get a sizable share of available IDB Group financing. The Group will aim to reach an overall financing of US$2 billion for the African LDMCs in the next five years.

In parallel, the Board of Executive Directors (BED) was requested to:

- adapt the policies and procedures of the IDB in order to ensure swift and efficient utilization of the resources.
- devote special attention and work out and new approach to enable African member countries make full use of the various IDB Group trade financing facilities thru' structured finance vehicle and use of export-credit insurance.
- work out a five-year action plan for IDB Group interventions in African LDMCs, integrating the financing aspects, as well as other supporting measures.

To operationalise the above program, member countries are expected to propose well-prepared projects for the Group management to take necessary practical measures, in this regard.

countries is to encourage and ensure full use of the currently existing resources, capacities and facilities. Consequently, the Bank has implemented a policy to give preference to consultants, contractors and suppliers in undertaking its own activities and operations. For this purpose, the IDB has established close relationships with the Federation of Consultants of Islamic Countries (FCIC), the Federation of Contractors of Islamic Countries (FOCIC) and with the Islamic Chamber of Commerce and Industry (ICCI). Furthermore, the qualified, registered and well-established firms and individuals from member countries working in the area of consultancy work and procurement services figure prominently on the roster maintained by the Consultancy and Procurement Services Unit which aims to provide basic support to IDB's Operations Complex.

In 1423H, 82 per cent of a total of US$7.8 million worth of consultancy work was carried out by consultants in the member countries.

V. IDB'S COOPERATION WITH ISLAMIC BANKS AND NATIONAL DEVELOPMENT FINANCING INSTITUTIONS

The Bank recognizes the importance of national efforts and institutions in development. As a part of its efforts to support private sector development and small enterprises in line with the essential needs at the national and local levels, and in an effort to mobilize new and unutilised resources, the Bank has cultivated close relationships with the Islamic Banks and National Development Financing Institutions to increase the efficiency, effectiveness and coverage of its services and facilities.

1. IDB'S Co-operation with Islamic Banks

The IDB, as a primary Islamic financing institution, has not only taken the lead in developing various Islamic modes of financing to benefit member countries, but it also plays an active part in promoting and strengthening the role of Islamic banks in these countries and other parts of the world. As a result, Islamic banking has become a growing industry with wide opportunities for further growth. Not only have the capital, deposits, and assets of Islamic banks expanded substantially over the past thirty years, but also Islamic financing windows have been started in several conventional banks in the USA and Europe.

The IDB has been greatly instrumental in the proliferation of Islamic banks by providing technical assistance for capacity building and lines of financing, and by participating in the capital of these banks. In active co-operation with the Islamic banks, the IDB has continued to play an important role in the development of standards and procedures for various financial products. In this context, the IDB has actively contributed to the establishment of the Accounting and Audit Organisation for Islamic Financial Institutions (AAOIFI). It serves as an institutional arrangement for self-regulation in the financial reporting done by the Islamic banks and financial institutions and for implementation of auditing practices by their own external auditors.

The IDB is presently helping to institute a mechanism for producing internationally acceptable regulatory standards for the Islamic banking industry. This would help the industry to face various challenges in its relationship with the central banks in the countries, and to overcome the long-held belief in many countries that Islamic banking is peripheral to the conventional mainstream banking activities.

Another challenge for the Islamic Banks is to become competitive vis- -vis the conventional banks in the new global environment and to take new initiatives for strengthening the architecture of the financial sector in different countries. Towards this end, the IDB has exerted great efforts to help develop an internationally acceptable and codified prudential framework for the Islamic banking industry. In this connection, the Islamic Financial Services Board (IFSB) was inaugurated in Kuala Lumpur on 3 November 2002, as a regulatory institution for Islamic banks. It will help to establish internationally acceptable standards, such as prudential regulations and supervision standards, in key areas of the Islamic banking industry.

The IDB has also been actively engaged in the establishment of International Islamic Finance Market (IIFM), and promoting the creation of an International Islamic Rating Agency (IIRA). The purpose of these initiatives are to contribute to the standardization of Islamic financial products, and make the industry competitive, transparent and viable, similar to the conventional financing institutions in the world. It is also felt that such initiatives would contribute to a healthy growth of the Islamic banking industry and facilitate the functioning of the Islamic Banks, side by side with the other banking institutions, within the developing as well as the industrially advanced countries. In this way, it would be possible for Islamic banking industry to offer new alternatives and a wider choice to both the investors and users of funds across the world, and to provide much-needed innovative support to the global efforts to enhance and expand development financing.

2. IDB Co-operation with National Development Finance Institutions

Cooperation with National Development Finance Institutions (NDFIs) is an important facet of the IDB's overall interest and desire to contribute to the overall economic development of its member countries. The Bank organizes an annual meeting with the NDFIs during the Annual Meeting of IDB's Board of Governors, where many issues related to cooperation and coordination among the NDFIs are discussed. These subjects include the operational relationships between the IDB and the NDFIs, provision of Technical Assistance to the NDFIs, as well as to the private sector itself, for undertaking feasibility studies on bankable projects. In these meetings, the NDFIs are invited to fully utilize IDB's technical assistance facility in the areas of feasibility studies and capacity building.

For more than twenty years, major strides have been taken by the Bank to improve its operational relations with the NDFIs through greater utilisation of the lines of financing. Among these are provision of 'free limits', authorising of the NDFIs in the approval of sub-projects up to 25 per cent of the overall approved amount of the lines of financing, and securing for the NDFIs a margin of 3-5 per cent over and above the IDB's mark-up. It was also decided that an allocation may be made to any IDB member country for extending a line of leasing/installment sale or Istisna'a financing to be utilised by a specific number of eligible Development Finance Institutions. To ensure greater utilisation of the IDB lines of financing, the Bank has also decided to extend, in principle, full delegation of authority to selected NDFIs.

The IDB has also kept a close relationship over the years with the Association of National Development Finance Institutions (ADFIMI). Comprising 48 member NDFIs and three Associate Members, the ADFIMI cooperates actively with the IDB in organising training programmes/seminars/workshops for the staff members of the NDFIs in order to help enhance their professional development and operational excellence.

VI. IDB'S COOPERATION WITH REGIONAL AND INTERNATIONAL ORGANISATIONS

1. Promotion of Cooperation through Regional and Sub-regional Cooperation Institutions involving IDB Member Countries

The IDB is convinced that there exists great potential for cooperation and further development in the regional economic groupings participated by the member countries. Keeping in view size of the existing and potential market made up of the 54 IDB member countries with enormous trade opportunities, an abundance of natural, human, and financial resources, as well as highly valuable technical skills, the Bank has continuously emphasised the advisability of promoting more extensive economic, commercial and technical co-operation at the level of regional groupings.

In terms of specific action already taken by the Bank bilaterally with various regional groupings, the IDB has signed a Memorandum of Understanding (MOU) with the ECO and has provided financial and technical assistance to it for the implementation of projects in different fields. The IDB is participating in another endeavour initiated by its member countries in the Arab region. It is managing, upon request from the concerned member countries, the Al Aqsa Fund and the Al-Quds Intifada Fund established by these countries themselves in order to provide assistance to the people of Palestine, another IDB member country. These funds aim to provide education and health care for the needy families in Palestine, while they also finance cultural projects and others in support of the Palestinian economy. As of the end of 1423H, the two funds approved US$139.6 million for 36 projects in different sectors/areas and US$315 million as budgetary support.

2. IDB Co-financing and the Co-ordination Group

The IDB is engaged in co-financing of projects with certain other international financial institutions in the form of parallel financing. Pooling is not preferred because of the Islamic character of the Bank. In 1423H, The IDB undertook co-financing in the amount of US$46.63 million involving nine operations in six countries, while the total amount of projects involved was US$109.51 million.

The Bank has also been a member of the eight member Coordination Group since June 1976[6]. Cooperation and collaboration among the members is more structured in this group and it extends beyond a co-financing partnership *per se*. The Group holds discussions on co-financing of projects; attempts to enhance working relations among its members; holds consultations on matters of common interest; monitors the implementation of co-financed projects; undertakes joint missions; and exchanges information and views relating to various financial issues, like appraisal reports, financing plans, overdues and information strategy. New areas are also being added like helping the Central Asian countries in the implementation and rehabilitation of projects. In this vein, a number of Roundtable Table meetings have already been held in some of these countries.

3. IDB Ties with Regional and International Organisations

The IDB follows closely direct contacts and co-operation being carried on among regional groupings involving its member countries. In this connection, the ECO and the ASEAN hold joint Ministerial Meetings every year on the sidelines of the United Nations General Assembly to discuss and develop co-operation in the areas of information, trade and investment. The GCC and ASEAN have also agreed to develop closer relations, through annual consultative meetings to discuss co-operation between them, especially in the areas of trade, investment, technology and labour. AMU and ECOWAS are collaborating with the Common Market for Eastern and Southern Africa (COMESA). The COMESA is also collaborating with ASEAN in the development of adjacent areas.

The IDB also keeps close contacts with various multilateral and regional financial institutions including the World Bank, the International Monetary Fund (IMF), the Asian Development (AsDB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), the Food and Agricultural Organisation of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the International Trade Centre, Geneva (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the World Health Organisation (WHO) and the World Trade Organisation (WTO). Through such contacts the IDB aims to further expand its cooperation and collaborations with these institutions through a broader vision on economic development. The IDB and the UNESCO have cooperation agreements in the area of education, especially in support of the various needs of the least developed member countries in Africa.

The IDB has a Memorandum of Understanding (MOU) with the World Bank to strengthen and broaden the partnership between the two institutions. A similar understanding has been developed with the IMF to strengthen cooperation and collaboration between the two organisations in various areas, including statistical data, pertaining to developments in the world economy, as well as the member countries. In this connection, the IDB has participated in the IMF World Bank annual meeting. It took an active part in both the Development Committee Meeting, and the Meeting of the MFI's and MDB's in an effort to join hands with them to harmonize policies, procedures and practices to further improve the effectiveness of development assistance and support. Furthermore, the World Bank experts have contributed substantially to the establishment of the IDB Live Data Base, which has become operational within 1423H.

Initiatives to Promote Inter-regional Economic Cooperation among Regional Organizations in IDB Member Countries

The IDB has always viewed regional economic groupings of its member countries significant contributors to its overarching objective to promote economic cooperation among its member countries, and has made it a policy to cooperate with and support these groups in different ways. In this context, these regional organizations are invited to the Annual Meetings of the IDB Board of Governors, where they get an opportunity to discuss issues of mutual interest. As a further step to further develop the relations between different regional groups and encourage them develop modalities and projects of inter-regional cooperation, the Bank has invited experts from a selected number of these regional groupings for a meeting at the Bank's headquarters on 29-30 June 2002. The experts held extensive deliberations on their existing activities and on possibilities of promoting

[6]The members of the Coordination Group are: the Abu Dhabi Fund for Development; the OPEC Fund for International Development; the Saudi Fund for Development; the Arab Fund for Economic and Social Development; the Kuwait Fund for Arab Economic Development; the Arab Bank for Economic Development in Africa; the Arab Monetary Fund; and the Islamic Development Bank.

inter-regional cooperation amongst themselves. Within the context of the recommendations they have adopted, the experts agreed to follow a set of sectoral priorities for such cooperation, hold regular annual meetings, and develop a Work Programme set for implementation in 2003. Work is in progress to finalize the draft Programme already at hand. Presently, AMU, COMESA, ECO, Islamic Chamber for Commerce and Industry, the League of Arab States and UEMOA are actively participating in this initiative. The IDB is also lending support to their efforts to develop joint programmes and activities based on their accumulated experiences.

An agro-industrial IDB financed project.

TABLE 2.A
INTRA-TRADE AMONG IDB MEMBER COUNTRIES*

Sl. No.	Reporting Countries	Share of Intra-Exports in Total Exports (%)				Exports (US$ million)		Share of Intra-imports in Total Imports (%)				Imports US$ million	
		1998	1999	2000	2001	Intra-Exports in 2001	Total Exports in 2001	1998	1999	2000	2001	Intra-Imports in 2001	Total Imports in 2001
1	Afghanistan	28.2	42.7	37.1	46.4	37.196	80.112	29.7	42.7	43.8	42.8	257.052	600.361
2	Albania	0.8	0.7	1.5	3.8	12.002	318.501	4.3	0.7	7.7	6.9	92.655	1344.620
3	Algeria	7.4	6.9	6.7	6.8	1328.910	19536.500	9.9	6.9	8.4	7.9	907.981	11561.400
4	Azerbaijan	35.8	15.3	10.0	7.0	161.797	2314.060	36.1	15.3	26.1	32.6	466.296	1429.790
5	Bahrain	10.3	9.9	9.6	7.7	662.322	8655.190	33.4	9.9	38.6	39.8	1467.034	3683.230
6	Bangladesh	5.3	3.9	4.2	3.8	217.994	5735.610	7.4	3.9	10.5	9.8	880.566	9010.640
7	Benin	21.5	31.9	19.9	27.1	49.045	181.266	12.6	31.9	10.0	9.0	137.246	1523.330
8	Brunei	0.3	8.1	1.3	1.1	37.155	3324.780	12.7	8.1	21.0	25.0	330.828	1320.710
9	Burkina Faso	9.1	14.7	15.5	14.8	24.147	162.887	26.1	14.7	33.6	36.6	193.721	528.660
10	Cameroon	7.0	6.2	4.1	5.2	90.676	1748.750	8.1	6.2	9.3	8.9	164.772	1850.880
11	Chad	2.4	2.9	6.1	7.7	6.042	78.147	29.4	2.9	16.8	7.4	28.371	381.333
12	Comoros	0.3	2.8	1.3	0.8	0.314	37.055	20.4	2.8	13.8	12.2	9.647	78.958
13	Cote d Ivoire	19.2	21.4	22.2	21.4	779.104	3641.550	5.0	21.4	6.3	3.7	94.189	2545.920
14	Djibouti	83.1	70.0	85.3	68.6	135.333	197.162	24.6	70.0	26.6	27.5	171.819	625.034
15	Egypt	22.0	17.0	14.3	18.4	760.940	4140.410	11.5	17.0	10.2	13.2	1683.159	12720.400
16	Gabon	2.4	1.4	1.3	1.1	41.105	3712.250	14.4	1.4	3.7	4.5	64.937	1454.800
17	Gambia	10.9	18.6	4.1	5.9	1.568	26.638	14.3	18.6	20.6	19.6	77.664	395.736
18	Guinea	4.4	5.3	7.1	14.3	77.472	542.737	12.3	5.3	25.1	24.1	120.312	498.753
19	Guinea Bissau	10.4	1.6	0.8	1.8	2.529	140.749	18.0	1.6	15.9	17.3	16.684	96.266
20	Indonesia	8.3	8.1	7.9	7.4	4810.141	64822.700	6.9	8.1	12.6	12.2	4741.665	38809.2009
21	Iran	13.5	12.9	12.3	14.0	3683.356	26387.400	8.5	12.9	13.5	13.3	2445.612	18339.800
22	Iraq	5.9	5.1	4.7	9.4	1037.634	11034.500	20.0	5.1	15.9	21.2	1098.915	5183.590
23	Jordan	58.5	54.2	53.4	51.8	1187.356	2291.500	27.1	54.2	28.4	29.1	1416.583	4871.380
24	Kazakhstan	7.0	6.3	6.0	9.5	821.800	8646.800	7.8	6.3	5.6	5.0	319.300	6362.800
25	Kuwait	8.6	15.0	12.3	11.3	2117.427	18656.400	17.4	15.0	23.3	21.7	1706.083	7867.170
26	Kyrgyz Republic	22.0	16.5	13.5	15.6	74.156	476.141	18.9	16.5	22.9	26.6	123.357	464.422

TABLE 2.A
INTRA-TRADE AMONG IDB MEMBER COUNTRIES* (Continued)

Sl. No.	Reporting Countries	Share of Intra-Exports in Total Exports (%)				Exports (US$ million)		Share of Intra-Exports in Total Imports (%)				Imports US$ million	
		1998	1999	2000	2001	Intra-Exports in 2001	Total Exports in 2001	1998	1999	2000	2001	Intra-Imports in 2001	Total Imports in 2001
27	Lebanon	52.7	48.3	51.9	42.0	387.586	923.096	13.7	48.3	17.0	17.9	1145.289	6395.610
28	Libya	14.4	10.4	9.3	11.0	1237.701	11240.500	10.8	10.4	17.5	14.2	621.911	4367.250
29	Malaysia	6.0	5.1	4.9	5.6	4950.653	88198.900	3.8	5.1	5.0	6.4	4710.848	73857.000
30	Maldives	0.1	0.1	0.7	0.9	1.524	171.929	19.8	0.1	26.4	23.3	101.633	435.831
31	Mali	9.3	10.1	7.9	9.2	13.392	145.971	24.7	10.1	23.7	23.6	320.339	1354.690
32	Mauritania	8.6	10.4	10.6	11.6	57.923	498.819	16.5	10.4	14.7	16.3	113.808	698.824
33	Morocco	7.4	5.2	5.4	7.0	498.411	7116.580	8.0	5.2	6.8	17.1	1880.254	10977.700
34	Mozambique	2.1	0.8	1.1	0.5	3.424	703.135	8.6	0.8	2.8	5.1	48.680	958.430
35	Niger	8.4	7.6	6.7	4.2	6.519	153.700	22.5	7.6	29.2	33.4	108.057	323.911
36	Oman	24.1	19.5	16.1	15.6	1605.465	10305.500	33.2	19.5	41.8	38.4	2238.606	5822.350
37	Pakistan	16.2	17.1	19.1	21.5	1983.570	9206.640	33.4	17.1	45.8	43.6	4446.802	10202.600
38	Qatar	7.4	5.5	7.2	6.3	814.743	12907.100	19.7	5.5	21.3	16.7	673.264	4030.540
39	Saudi Arabia	17.7	16.1	13.9	14.7	10328.735	70499.900	11.1	16.1	9.3	8.0	3394.247	42171.800
40	Senegal	25.3	24.8	24.4	21.5	180.332	840.076	6.8	24.8	4.3	7.7	161.768	2091.460
41	Sierra Leone	0.0	0.0	3.0	2.9	1.554	54.017	5.0	0.0	6.5	9.1	39.046	427.186
42	Somalia	87.8	96.5	94.8	90.3	84.695	93.820	41.8	96.5	39.3	40.1	142.300	354.897
43	Sudan	42.1	33.1	14.1	14.9	263.657	1766.350	16.7	33.1	25.1	22.0	396.834	1803.910
44	Suriname	0.2	0.8	0.3	0.6	2.975	515.766	0.5	0.8	1.5	1.4	6.998	511.668
45	Syria	38.2	30.2	27.5	24.0	1316.478	5488.740	13.5	30.2	14.7	14.8	938.799	6357.040
46	Tajikistan	7.7	4.1	11.2	19.1	124.353	651.565	15.7	4.1	29.2	31.4	215.560	687.529
47	Togo	19.8	20.4	25.3	37.9	83.577	220.434	15.3	20.4	20.8	17.9	63.451	354.607
48	Tunisia	8.9	8.4	10.8	11.1	731.566	6608.850	8.6	8.4	10.7	9.7	925.193	9570.300
49	Turkey	15.5	13.8	12.4	12.5	3903.210	31196.700	9.0	13.8	11.2	12.7	5275.421	41398.900
50	Turkmenistan	64.7	35.8	22.7	54.8	620.357	1132.380	24.4	35.8	31.5	26.9	419.238	1557.530
51	Uganda	2.9	4.0	5.8	6.9	21.576	311.549	4.0	4.0	3.7	4.0	38.534	963.738
52	U.A. Emirates	16.7	16.6	14.7	15.1	6055.276	40072.500	13.6	16.6	21.6	20.8	9003.689	43193.300
53	Yemen	12.2	6.8	7.1	14.0	493.826	3518.230	38.4	6.8	45.1	38.5	1165.837	3027.700
	IDB Total	**11.9**	**11.0**	**10.2**	**11.0**	**53930.596**	**491432.541**	**11.2**	**11.0**	**13.5**	**14.1**	**57612.856**	**407445.484**

* State of Palestine is not included.
Source: Based on data from **IMF, Direction of Trade Statistics,** CD-ROM 2003 (March)

PART II

Operations

An Industrial Project Financed by IDB

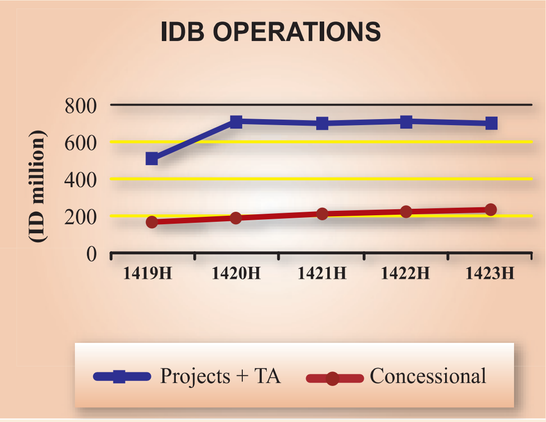
Chapter 3

Project Financing, Technical Assistance and WAQF Fund (Special Assistance) Operations

Ujung Pandang Port Development Project in Indonesia.
The IDB has provided US$ 25.5 million.

SUMMARY OF IDB GROUP OPERATIONS 1423H

- **Total approvals of the IDB Group: ID2.34 billion (US$3.08 billion)**
  - Project financing, Ordinary Resources: ID690.07 million (US$884.95)
  - Technical Assistance: ID6.58 million (US$8.47 million)
  - Trade financing: ID1.44 billion (US$1.91 billion)
  - Special Assistance Operations: ID9.34 million (US$12.54 million)
  - Other project financing/investments, various windows of the Bank: ID195.23 million (US$267.48 million)
- **Number of operations: 295**
  - 74 projects (ordinary resources)
  - 32 other projects (various windows)
  - 26 technical assistance
  - 125 trade financing
  - 38 special assistance
- **Disbursed amount (Ordinary Resources) during 1423H: ID447.0 million (US$612.4 million)**
- **Co-financing by the IDB: ID35.88 million (US$46.62 million)**
- **Share of IDB financing in co-financed projects: 42.6 per cent**
- **Share of LDCMs in total concessional financing: 62.2 per cent**



I INTRODUCTION

This chapter provides an overview of the aggregate operations of the Bank including financing by different subsidiaries and funds within the IDB Group. In terms of details, the chapter focuses on two categories of the Bank's operations, namely (a) Project Financing and Technical Assistance, and (b) Waqf Fund operations .The main activities covered in the latter category are: Special Assistance operations, emergency and relief operations, Scholarships, Technical Cooperation Programme among Member Countries and the OIC-Vaccine Production and Illiteracy Eradication Programmes. The chapter also dwells on operations evaluation, regional offices and consultancy and procurement services. Profiles of the projects and technical assistance operations approved during the year are presented at the end of the Chapter. Details of other categories of IDB Group operations are presented in Chapter 4 (Trade Financing Operations) and Chapter 5 (Activities of Affiliated Entities and Funds).

At the aggregate level, during 1423H, the IDB as a Group approved ID2.34 billion (US$3.08 billion) for different types of operations. These included 106 operations for project financing amounting to ID885.30 million (US$1.15 billion), 26 technical assistance operations worth ID6.58 million (US$.8.47 million), 125 trade financing operations amounting to ID1.44 billion (US$1.91 billion) and 38 special assistance operations worth ID9.34 million (US$12.54 million). The operations approved in 1423H represent 3.7 per cent over the aggregate gross operations approved by the Bank in 1422H, in ID value terms (Table 3.1 for details).

At the end of 1423H, the cumulative approvals of the IDB Group (excluding cancelled operations) reached ID23.44 billion (US$30.40 billion). Of these operations, 34.6 per cent was for project financing, 0.5 per cent for technical assistance, 63 per cent for trade financing, and nearly 2 per cent for Special Assistance operations.

II. REVIEW OF KEY FEATURES OF IDB OPERATIONS, POLICIES, AND INITIATIVES DURING THE YEAR

Over the past two years, IDB has been implementing a Group-wide reorganization program and a review of its strategic orientation to better reflect the current state of development thinking, particularly with regard to the globalization phenomena and the changing needs of its member countries.

Besides providing the IDB Group with a re-invigorated development agenda, the new roadmap for the future hinges on the premise that the Bank will work collectively and more closely with the member countries for discernible development impact. Additionally, the Bank will forge close working relations with other multilateral development banks (MDBs), international financial institutions and bilateral agencies. It is expected that increased collaboration and partnership in IDB's development work with other funding agencies will increase the catalytic role of IDB, and indeed that of other donors.

In tandem with the reorganization and review exercise, the Bank embarked on the revision of its Operations Manual and reorganization of the core operations departments, all with the view to improve service delivery to member countries. Having first been adopted in 1987, the updating of the Operations Manual was long overdue considering that several new policies and procedures had been introduced over the years. In this regard, various rules, regulations and policies related to financing activities were reviewed and revamped. The work entrusted to a team of in-house professionals and outside consultants is well-advanced and will be completed by mid-1424H. Subsequently, the Operations Manual will be updated regularly as appropriate.

In a bid to better utilize the available professional staff, enhance teamwork, improve country relations and increase overall efficiency, the core Operations & Projects Departments were re-organised during the year. In terms of operations, the re-organization placed greater focus on country programming, poverty alleviation, and infrastructure development. Each Department serves a number of countries based on a more homogenous membership sharing similar developmental issues. This has resulted in more country focused service. Regarding accountability, the reorganization has focused on performance results and benchmarks at all stages. As a complementary activity to this reorganization, a procurement division was established to coordinate the procurement of goods and services by utilizing, as much as possible, member country consulting and contracting firms.

Another major exercise undertaken during the year, which will have great impact on IDB's future operations, is the harmonization and standardization of policies, procedures and practices among the multilateral development banks (MDBs). The harmonization program was initiated by the desire of the international donor community to change the way in which it was conducting its business on the ground (at the country level). The program covers four major areas namely procurement, disbursements, audit and the environment. It became evident that a proliferation of diverse operational policies and procedures was not only tedious and frustrating on the part of the recipients, but also a waste of resources. The resulting over-stretched administrative capacities of the recipient countries have had adverse effect on the impact of the donor assistance.

Therefore, coordination among donors leading to the harmonization of their policies, procedures and practices at the country level is viewed as a major step towards maximizing cost effectiveness, efficiency and impact of development assistance. The only apparent pre-requisite for this to really happen on the ground is the willingness of funding agencies to do so, a process which has so far yielded very positive results. During the year, IDB participated in the meetings of the working groups of the MDBs for the first time. IDB was also represented at the High-Level Forum on Harmonization in Rome in Dhul Hijjah 1423H (February 2003).

Concerned with the state of development in sub-Saharan Africa the Bank proclaimed the **Ouagadougou Declaration** on the occasion of the 27th Board of Governors' Meeting held in Burkina Faso in Rajab 1423H (October 2002). In the framework of this Declaration, the Bank has earmarked US$2.0 billion of development assistance to African LDMCs over a period of 5 years. IDB will support key common priority areas in the social sector, transport, trade, micro-finance and capacity building. Much of the Bank's funding will be concessional. The Declaration will also go a long way towards supporting African member countries and particularly the least developed, within the new socio-economic development framework for Africa (NEPAD). The framework is aimed at forging a new and strong partnership between Africa, the developed nations and the international donor community at large.

With regard to the ongoing heavily indebted poor countries (HIPC) debt relief initiative, the Bank rendered HIPC-related assistance to five countries during the year. These were Cameroon, Chad, Gambia, Niger and Uganda. The Bank s policy over HIPC assistance is to reschedule the debt owed over a 25-year period. The restructuring of the debt was done in consideration of the fact that the obligations imposed by the debt service were a constraint to governments to increase their expenditure in human development (i.e. education, health, sanitation and water supply). Under the HIPC initiative, it is expected that countries reaching a decision point and therefore eligible for debt relief (forgiveness and/or rescheduling), would free themselves of the debt burden and utilize these 'extra' resources for investments in the social sector (human development and poverty alleviation).

With a view to improve the utilization of lines of financing extended to institutions in member countries, IDB delegated full authority for approval of sub-projects by the second batch of 7 national development financing institutions (NDFIs) and one Islamic bank as follows: Egypt (1), Iran (1), Malaysia (1), Qatar (1) and Turkey (4). The first batch of 3 NDFIs were granted full authority in 1419H (1998/99).

Further, IDB was more selective in the projects and sectors it financed during the year. Operations under the Special Account for the Least Developed Member Countries (LDMCs) were packaged in such a way as to achieve maximum possible impact. The IDB helped member countries address their needs for basic social facilities and services for which private sector financing was difficult to attract. Perhaps more important, the IDB financed operations in very remote areas where donor financing was either limited or non-existent.

Another milestone in the course of the year was the granting of the Bank of triple A (AAA) long-term rating by Standard & Poor's. The rating will enable IDB to tap the international market for raising resources to meet the diverse and increasing financing needs of its member countries. While it is a recognition of the Bank's achievements, the rating also calls for added responsibilities commensurate with an AAA-rated institution in order to maintain that position.

Following the approval of the Board of Executive Directors (BED) in Jumad Awwal 1422H (July 2001) to launch a US$300 million International Islamic Sukuk as part of the resource mobilisation strategy, the Bank was able to identify and process projects for financing under this programme in 1423H. A total of 24 projects were conceptually cleared by the BED, out of which two were disbursing, two were under negotiations for signing, and four are at the appraisal stage. The rest are still under review, and are expected to be processed in 1424H.

III. ANNUAL AND CUMULATIVE APPROVALS OF PROJECT FINANCING AND TECHNICAL ASSISTANCE OPERATIONS

The Bank's approvals for projects and technical assistance amounted to ID 696.65 million (US$ 893.42 million) during 1423H, as compared to ID715.98 million (US$922.62 million) in 1422H (see 'Ordinary Operations' Table 3.1 and Chart 3.1). This represented a decrease of 2.7 percent over the 1422H approvals in ID terms. The average size of project financing peaked at just over ID 9.33 million (US$ 11.96 million) during 1423H, while that of technical assistance reached ID 0.253 million (US$0.326 million). This shows a significant increase over the 1422H averages, which were ID 8.53 million (US$ 11.00 million) and ID 0.222 million (US$ 0.286 million) respectively. The majority of the technical assistance operations approved during the year were utilized for capacity building and project preparation and design purposes. Preparation and design include pre-feasibility, full feasibility, preliminary design and detailed engineering design.

Cumulatively, the Bank's approvals for project and technical assistance financing since its inception in 1396H until the end of 1423H amounted to ID 6.84 billion (US$ 8.94 billion), excluding cancelled operations. Of this amount, project financing accounted for 98.2 per cent or ID 6.72 billion (US$8.78 billion) and technical assistance operations accounted for 1.8 per cent or ID 121.93 million (US$155.57 million).

1. Distribution of Approved Operations by Sector

The Bank's new strategic orientation favour agriculture and the social sector (human development) for IDB financing considering that the sectors have direct impact on poverty alleviation programs of member countries. The share of IDB's financing to these sectors is expected to increase substantially in line with this new policy stance.

The sector distribution of the 1423H approved operations is shown in Chart 3.2. The social services sectors and agriculture had a combined share of 45 percent in 1423H, consistent with the new orientation

TABLE 3.1
FINANCING APPROVED BY THE IDB GROUP BY TYPE OF OPERATION, (1419H-1423H)

(Amounts in ID millions)

Type of Operations	1419H		1420H		1421H		1422H		1423H		1396H-1423H	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
I. Ordinary Operations[1]												
(a) Project Financing	69	507.35	77	706.37	84	588.21	83	707.98	74	690.07	988	6722.44
(b) Technical Assistance	30	5.97	34	6.88	28	10.39	36	8.00	26	6.58	399	121.93
Sub-Total (a+b)	99	513.32	111	713.25	112	698.60	119	715.98	100	696.65	1387	6,844.37
II. Other Project Financing* (UIF, IBP, ICD, APIF, Treasury Dept.)	10	179.61	14	211.57	13	22.29	21	189.20	32	195.23	159	1384.06
Total Project Financing + TA	109	692.93	125	924.82	125	720.89	140	905.18	132	891.88	1546	8228.43
III. Trade Financing Operations[2] (ITFO, EFS, IBP, UIF, ICD, Treasury Department)	60	718.46	58	640.73	101	1185.26	101	1340.42	125	1439.05	1559	14783.08
IV. Special Assistance (Waqf Fund) Operations	66	9.59	76	23.81	47	11.62	54	11.16	38	9.34	972	432.50
Total: (I-IV)[3]	**235**	**1420.98**	**259**	**1589.36**	**273**	**1917.77**	**295**	**2256.76**	**295**	**2340.27**	**4077**	**23444.01**
Gross Approvals[4]	**245**	**1560.12**	**269**	**1699.82**	**292**	**2146.83**	**297**	**2272.39**	**296**	**2342.53**	**4611**	**26587.62**

1.Ordinary Operations in this context are Projects and Technical Assistance Operations financed from the Ordinary Capital Resources (OCR) of the Bank, as well projects financed from the Special Account for the least developed member countries (LDMCs). Technical Assistance Operations exclude those financed from the OIC Literacy and Vaccination Programmes. Figures are net of cancellations.
2. Based on the updated operations net of cancellations. Further details are provided in Chapter IV.
3. Net of cancellations.
4. Before cancellations.

CHART 3.1
PROJECT AND TECHNICAL ASSISTANCE FINANCING, 1419H-1423H

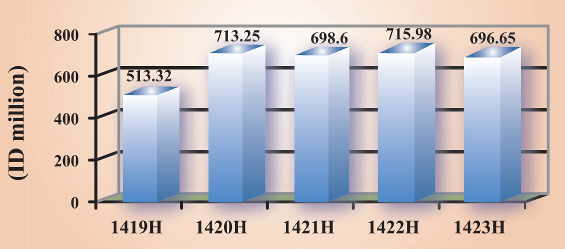
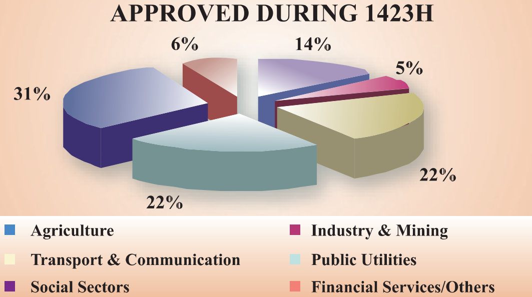


CHART 3.2
SECTORAL DISTRIBUTION PROJECT AND TECHNICAL ASSISTANCE OPERATIONS APPROVED DURING 1423H



of the Bank s financing to favour poverty alleviation programmes.

Nearly 30 percent of the total financing was approved for the social sectors (i.e. education and health). The planned target for the year was 23 percent. Public utilities, consisting mainly of economic infrastructure projects, accounted for about 23 per cent of the financing, against the operations plan target of 25 per cent. The transport and communications sector represented 22 per cent, while the sector target for the year was 20 per cent. Thus, the three sectors (i.e. social, public utilities and transport) accounted for 75 per cent of the total financing.

Agriculture, industry and financial services sectors accounted for the remaining 25 per cent. The planned targets for agriculture and industry were 20 percent and 10 percent respectively. However, the share of agriculture was twice as much in 1423H than in 1422H. This was the result of technical assistance support provided in 1422H to generate and prepare new agricultural projects.

The cumulative approvals are depicted in Table 3.2 and Chart 3.3. The public utilities sector accounts for the largest share (28 per cent), followed by the social

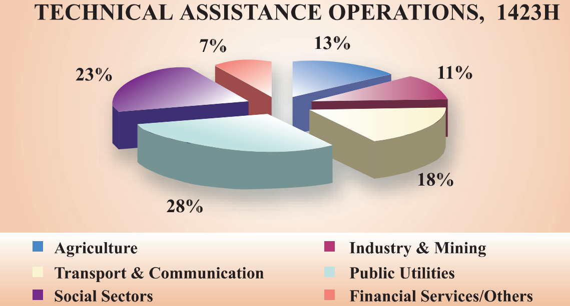
TABLE 3.2
DISTRIBUTION OF PROJECT AND TECHNICAL ASSISTANCE FINANCING BY SECTOR*

(Amount in ID million)

Sector	1419H			1420H			1421H			1422H			1423H			1396-1423H (Cumulative)		
	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agricultural and Agro-Industry	25	77.46	15.09	18	87.51	12.27	16	34.64	5.79	16	46.36	6.48	14	100.10	14.37	268	874.49	12.78
Industry & Mining	2	25.29	4.93	4	71.40	10.01	0	0	0.0	4	49.48	6.91	1	34.00	4.88	131	782.61	11.43
Transport and Communications	14	67.61	13.17	17	99.24	13.91	14	121.85	20.36	23	174.41	24.36	18	156.21	22.42	245	1256.46	18.36
Public Utilities	19	155.32	30.26	19	233.18	32.69	22	225.72	37.71	19	205.97	28.77	14	155.36	22.30	241	1909.02	27.89
Social Sectors	24	103.55	20.17	36	159.05	22.30	48	190.39	31.81	44	215.11	30.04	39	207.51	29.79	360	1556.40	22.74
Financial Services/Others**	15	84.09	16.38	17	62.88	8.82	12	26.00	4.34	13	24.66	3.44	14	43.47	6.24	142	465.39	6.80
Total:	**99**	**513.32**	**100.0**	**111**	**713.25**	**100.0**	**112**	**598.60**	**100.0**	**119**	**715.98**	**100.0**	**100**	**696.64**	**100.0**	**1387**	**6844.37**	**100.0**

NOTES:
* Project Financing and Technical Assistance Operations reported under the respective sectors are inclusive of those financed from both the Ordinary capital resources and from the Special Account for the LDMCs, but exclusive of the cancelled operations.
** In addition to the financial and business services sector, these approvals include all those falling outside the enlisted sectors. (All percentage points in this table are expressed on the basis of sector amounts and NOT by the number of operations).

CHART 3.3
CUMULATIVE SECTOR DISTRIBUTION OF PROJECTS AND TECHNICAL ASSISTANCE OPERATIONS, 1423H



services sector (nearly 23 per cent). The transport and communication sector accounted for 18 per cent, while agriculture had a 13 per cent share. Industry and mining had the lowest share (7 per cent).

2. Distribution of Approved Operations by Mode of Financing

IDB s modes of financing are based on Islamic principles and therefore, unique in character. These modes include leasing, installment sale, Istisna a. profit sharing, loan financing and technical assistance (TA). Equity participation and lines of financing to national development financing institutions (NDFIs) are also considered as modes of financing[1]. Loan financing and technical assistance are IDB's concessional modes. The remainder are non-concessional.

The loan financing account for 32 percent of the total project financing and TA operations in 1423H, as compared to 30 percent in 1422H. Installment Sale represented the second largest share, with 26 per cent of the total. In the preceding three years ((i.e. 1420H-1422H), Istisna'a accounted for the largest share of the Bank's project financing operations. However, during 1423H, Istisna'a operations assumed third position overall, or 21 percent of the total financing, as compared to 36 per cent in 1422H. Leasing was fourth in order with 15 per cent share. Table 3.3 shows the mode-wise distribution of the IDB financing in 1423H.

Technical assistance, along with loan financing represented a combined share of 33 per cent in 1423H, consistent with the Bank's overall resource allocation policy of one third to two-thirds of concessional viz-a-vis non-concessional financing in any given year. Charts 3.4 and 3.5 show the mode-wise distribution for 1423H against cumulative approvals.

3. Geographical Distribution of Project and Technical Assistance Approvals in 1423H

The Bank pays particular attention to the allocation of its resources among member countries, especially between the least developed member countries

[1] Technically speaking profit (and loss) sharing and equity are not modes of financing as such.

TABLE 3.3
APPROVED PROJECT AND TECHNICAL ASSISTANCE FINANCING BY MODE OF FINANCING*

(Amount in ID million)

Mode	1419H			1420H			1421H			1422H			1423H			1396-1423H (Cumulative)		
	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%
Project Financing* Loan	38	159.09	30.99	38	179.69	25.19	52	202.22	33.78	50	213.82	29.84	48	220.99	31.72	527	2281.70	33.34
Equity	6	14.03	2.73	4	18.49	2.59	4	5.23	0.87	2	3.12	0.44	1	4.44	0.64	102	257.85	3.77
Leasing	10	161.82	31.52	8	173.16	24.28	2	35.50	5.93	6	118.02	16.48	4	109.06	15.66	120	1567.72	22.91
Installment Sale	11	109.64	21.36	14	163.45	22.92	9	98.40	16.44	10	87.28	12.19	12	177.57	25.49	149	1432.86	20.93
Profit Sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7	62.45	0.91
Istisn a	1	10.37	2.02	12	171.58	24.06	16	235.86	39.40	13	258.48	36.10	7	147.02	21.10	51	842.22	12.31
Sub-Total	66	454.95	88.62	76	706.37	99.05	83	577.21	96.43	81	680.57	95.05	72	659.08	94.61	956	6444.80	94.16
Lines of Financing	3	52.41	10.21	-	-	-	1	11.00	1.84	2	27.41	3.83	2	30.98	4.45	32	277.64	4.06
Sub-Total	69	507.36	98.84	76	706.37	99.04	84	588.21	98.26	83	707.98	98.88	74	690.06	99.06	988	6722.40	98.22
Technical Assistance	30	5.97	1.16	34	6.88	0.96	28	10.25	1.71	36	8.00	1.12	26	6.58	0.94	399	121.93	1.78
Total:	**99**	**513.32**	**100.0**	**111**	**713.25**	**100.0**	**112**	**698.60**	**100.0**	**119**	**715.98**	**100.0**	**100**	**696.64**	**100.0**	**1387**	**6,844.37**	**100.0**

* Exclude cancelled operations.

CHART 3.4
MODEWISE DISTRIBUTION OF APPROVALS, 1423H

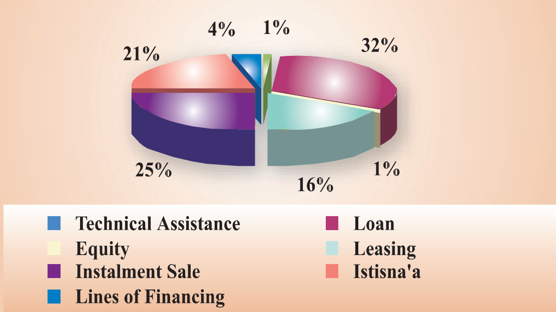
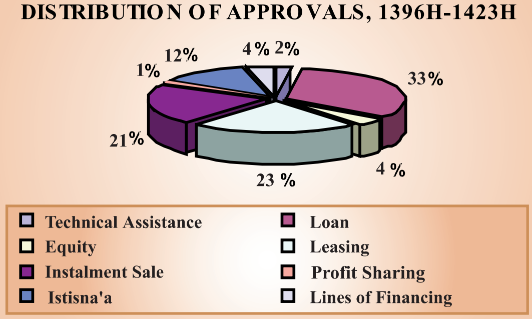


CHART 3.5
CUMULATIVE MODE-WISE DISTRIBUTION OF APPROVALS, 1396H-1423H



(LDMCs) and the rest of the group. The Bank does not have a dedicated concessional entity ('Fund') similar to other multilateral development banks (MDBs). Presently, one-third of the annual Operations Plan is earmarked as concessional, out of which 80 percent is allocated to the LDMCs. Some member countries in the CIS region are also treated as LDMCs, and therefore eligible for this type of financing.

The remaining two-thirds of the Bank's Operations Plan is non-concessional, and as a matter of policy, LDMCs are allocated only 10 percent of this amount. Actual utilisation of the financing resources during 1423H was in line with these declared policies. On the whole, LDMCs and CIS countries utilized 76 percent of the concessional resources, against a target of 80 percent. On the other hand, their share of the non-concessional resources was 5.6 percent, less than the targeted share of 10 percent.

Taking both concessional and non-concessional financing together, the geographical distribution of the approved operations was as follows: (i) The LDMCs, the majority of which are in Africa, received 24 percent of the total financing. Combined with the assistance provided to the CIS region, this share rises to nearly 29 per cent, (ii) The non-LDMCs, which span over much of Asia, the Middle East and the North

Africa/Mediterranean region, had 71 percent of the total financing. Details are provided in Table 3.4 and Chart 3.6 and 3.7.

TABLE 3.4
TYPES OF FINANCING BY CATEGORY OF COUNTRIES, 1423H

(Amount in million)

Sl. No.	Type of Financing	No. of Operations	ID	US$	Share on ID (%)
CONCESSIONAL					
1.	LDMCs	45	143.99	186.63	63.78
2.	CIS	10	28.87	37.99	12.44
3.	Non-LDMCs	16	54.24	70.13	23.58
4.	Regional Organisations	3	0.47	0.61	0.20
	Sub-Total	74	227.57	295.36	100.0
NON-CONCESSIONAL					
1.	LDMCs	1	21.93	27.53	4.62
2.	CIS	1	4.40	5.50	0.93
3.	Non-LDMCS	24	442.74	565.04	94.45
4.	Regional Organisations	0	0	0	0
	Sub-Total:	**26**	**469.07**	**598.07**	**100.0**
	Grand-Total:	**105**	**696.64**	**893.43**	**-**

CHART 3.6
DISTRIBUTION OF CONCESSIONAL FINANCING BY COUNTRY CATEGORY, 1423H

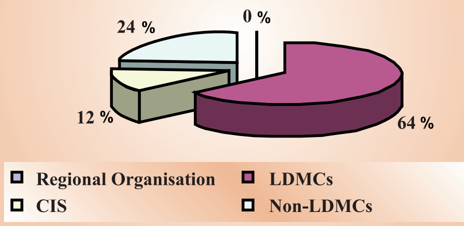
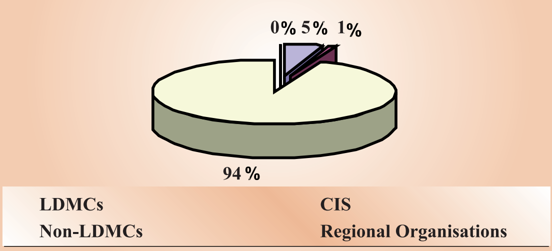


CHART 3.7
DISTRIBUTION OF NON-CONCESSIONAL FINANCING BY COUNTRY CATEGORY, 1423H



4. Operations in the Least Developed Member Countries (LDMCs)

The Bank's policy towards LDMCs[2] is to support them in poverty reduction, boost economic growth and enhance institutional capacity to manage projects. Most of the Bank's activities are concentrated in the education, health, agriculture and water supply sectors and financed mainly through concessional resources.

Given that the majority of the LDMCs are in Sub-Saharan Africa, the Bank intends to substantially increase its volume of financing within the framework of the New Economic Partnership for Africa (NEPAD) as stipulated in the Ouagadougou Declaration[3]. Considering the widening gap between available resources versus national socio-economic goals and aspirations, IDB will utilize its concessional resources in catalytic ways.

During 1423H, the LDMCs' group as a whole received ID383.75 million (US$504.18 million) from IDB for project, trade, special assistance and technical assistance financing. In comparison, total global operations financed by the Bank in favour of all member countries during the year amounted to ID2.34 billion (US$3.08 billion). Thus, the share of the LDMCs to global approvals in 1423H was 16.4 percent as compared to 19.4 per cent in 1422H (see Table 3.5).

Cumulatively, aggregate financing approved for the LDMCs since the Bank's inception up to the end of 1423H was ID3.98 billion (US$5.02 billion), representing 17.0 per cent of the aggregate financing approved for all types of operations (see Table 3.6). On the other hand, LDMCs' share of cumulative concessional financing reached 61.2 percent, i.e. ID1.47 billion from the ID2.40 billion of the Bank s global concessional funding.

5. Co-financing with other International Financing Institutions

One important aspect of the institutional collaboration being forged by IDB is the co-financing of projects with other international financing institutions. This co-financing takes the form of parallel financing as

[2] Twenty-three member countries of the IDB are classified as Least Developed; namely, Afghanistan, Bangladesh, Benin , Burkina Faso, Chad, Comoros, Djibouti, The Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda and Yemen. As a special case, the State of Palestine is also treated as an LDMC by the IDB.

[3] The Bank plans to provide financing of US$2 billion over a 5-year period.

TABLE 3.5
FINANCING APPROVED FOR THE LDMCs DURING 1423H (15 MARCH 2002 - 3 MARCH 2003)

(Amount in million)

Sl. No.	Mode of Financing	Amount Approved			
		No.	ID	US$	LDMCs Share(%)*
1.	Loans (Ordinary Resources)	25	124.00	160.99	60.9
2.	Loans (Special LDMCs Account)	9	17.49	22.42	100.0
3.	Leasing	1	21.93	27.53	20.1
4.	Technical Assistance (T.A.)	11	2.50	3.22	38.0
	Total Project Financing & T.A.	46	165.92	214.16	23.8
5.	Import Trade Financing Operations (ITFO)	16	213.34	284.00	20.1
6.	Special Assistance (Waqf) Operations	7	4.29	6.02	48.0
	Grand-Total:	**69**	**383.55**	**504.18**	**16.4**

* Expressed as a share (%) of the approvals during the year, as given in Tables 3.1 and Table 3.3.

TABLE 3.6
CUMULATIVE FINANCING APPROVED FOR THE LDMCs (1396H-1423H)

(Amount in million)

Sl. No.	Mode of Financing	Amount Approved			
		No.	ID	US$	LDMCs Share(%)*
1.	Loans (Ordinary Resources)	261	1240.33	1601.46	58.4
2.	Loans (Special LDMCs Account)	104	157.43	214.53	100.0
3.	Equity	26	55.35	70.23	21.5
4.	Leasing	11	90.31	112.04	5.8
5.	Installment Sale	13	56.06	75.05	3.9
6.	Istisna a	3	23.00	30.29	2.7
7.	Profit Sharing	1	3.50	4.35	5.6
8.	Lines of Financing	6	23.08	27.69	8.3
9.	Technical Assistance (T.A.):	223	72.64	90.08	59.6
10.	Total Project Financing & T.A.	648	1721.71	2226.61	25.2
11.	Import Trade Financing Operations	186	2071.12	2573.17	17.1
12.	Special Assistance Operations	179	184.50	221.25	42.7
	Grand Total	**1013**	**3977.33**	**5021.03**	**17.0**

* Expressed as a share (%) of the cumulative approvals thus far. The cumulative approvals are provided in Tables 3.1 and 3.3.

opposed to pooling in order to conform to the Bank s modes of financing which have a distinctive Islamic character. Thus, the Bank's financing is necessarily project or component-based. Co-financing has many advantages, such as increasing the catalytic role of IDB (and indeed of the other co-financing partners as well). It is also a cost-saving mechanism wherein one financier usually takes charge of administering the project on behalf of others. One of IDB's major co-financing partners is the Arab Coordination Group[4].

However, one major operational problem often encountered in co-financed projects is the multiplicity of policies and procedures of the co-financing partners. This increases the administrative burden on the part of the beneficiary countries. This problem is discussed further under Section IV below.

The total amount co-financed by the IDB during 1423H amounted to ID 35.88 million (US$ 46.62 million) in favour of 9 operations in 6 countries. This amount is far below that of the previous year, which totalled ID260.06 million (US$338.54 million). However, in US Dollar terms, IDB's contribution in 1423H was 45.8 per cent of the total cost of co-financed projects (US$ 101.81 million), compared to its share of 17.1 per cent in 1422H.

Conversely, the total amount co-financed by other donors in 1423H reached US$ 46.78 million, compared to US$975.97 million in 1422H. Interestingly, IDB's share was at par with that of other co-financing partners in 1423H, as compared to about one-third in 1422H. During the year, IDB's co-financing partners contributed 46.0 per cent of the total cost of these projects, compared to the IDB's share of 45.8 per cent. Table 3.7 provides a summary list of the co-financed projects during 1423H.

In addition to co-financing arrangements, IDB has cooperation and collaboration agreements with many agencies and international financing institutions covering many areas.

IV. ASSESSMENT OF CURRENT PORTFOLIO

The cumulative project and technical assistance approvals as at end-1423H amounted to ID6.84 billion (US$8.94 billion) net of cancellations, of which 60

[4]Comprises the Islamic Development Bank, the Abu Dhabi Fund for Development, the OPEC Fund for International Development, the Saudi Fund for Development, the Arab Fund for Economic & Social Development, the Kuwait Fund for Arab Economic Development, the Arab Bank for Economic Development in Africa (BADEA) and the Arab Gulf Programme for United Nations Development Organisation (AGFUND).

TABLE 3.7
PROJECTS CO-FINANCED WITH OTHER INSTITUTIONS IN 1423H
(MARCH 15, 2002 - MARCH 3, 2003)

(Amount in million)

Sl. No.	Country	Project Name	Financing Mode	Total Cost	IDB Participation		Name of Co-financier(s)	Amount in US$
				US$	ID	US$		
1.	Egypt	The Development of Nile Navigation Route	Istisna a Sale	15.24	5.75	7.50	Other Govt. or its Agencies	2.80
2.	Gambia	Construction of Serekunda Madina Ba Road	Loan	9.64	4.55	5.91	OPEC Fund	2.75
3.	Gambia	OMVG Agro-Pastoral Development*	Loan	24.88	1.83	2.46	African Development Bank/Fund	3.68
4.	Guinea	Construction of Feeder Roads	Loan	21.94	7.00	9.01	African Development Bank/Fund	10.46
5.	Guinea	OMVG Agro-Pastoral Development	Loan	-	2.04	2.74	African Development Bank/Fund	4.15
6.	Palestine	Printing School Textbooks for Academic Year 2002-2003	Loan	18.51	2.55	3.20	Other Govt. or its Agencies	4.20
							World Bank including: IDA & IFC (WB)	0.30
7.	Pakistan**	220KV Ghazi Borotha Electrical Substation	Istisna a Sale	-	6.04	8.00	Asian Development Bank/Fund	10.00
8.	Senegal	OMVG Agro-Pastoral Development	Loan	-	1.72	2.31	African Development Bank/Fund	3.44
9.	Turkmenistan	Mary Diagnostics Centre	Istisna a Sale	11.60	4.40	5.50	OPEC Fund	5.00
		Total for 1423H		101.81	35.88	46.63		46.78

* The total project cost is for Gambia, Guinea and Senegal.
** Financed from project savings, initially approved in October 1996.

percent (ID4.13 billion or US$5.50 billion) was active or ongoing.

The size of IDB's active (ongoing) portfolio grew by 14.5 per cent during 1422H-1423H, from ID 3.61 billion (US$ 4.84 billion) to reach ID 4.13 billion (US$ 5.50 billion) as at 30 D. Hijjah 1423H (3 March 2003). This portfolio consisted of 722 operations, out of which 327 were disbursing. The remaining operations, numbering 395, were non-disbursing. As stated earlier, the average size of projects during 1423H was ID9.23 million (US$11.96 million), representing an increase of 8 percent over last year's size of ID 8.53 million (US$11.00 million).

For tracking purposes, the non-disbursing operations are divided into three groups. The first group consists of operations for which agreements have not yet been signed. These accounted for about 18 per cent of the total ongoing portfolio in ID terms. The operations in the second group have agreements signed but have not yet been declared effective. There were 72 operations of this type, constituting 10 percent of the ongoing operations. And lastly, the third group comprises of operations whose agreements have been declared effective but have yet to start disbursing. These constituted nearly 27 per cent of the total ongoing portfolio. Details of these are provided in Table 3.8.

TABLE 3.8
STATUS OF CURRENT PORTFOLIO, END 1423H (3 MARCH 2003)

(Amount in ID million)

Sl. No.	Project Category	Operations		Amount		Amount Share (% on ID)
		No.	Share	ID	US$	
1.	**DISBURSING OPERATIONS**	**327**	**45.29**	**2091.61**	**2834.03**	**50.60**
2.	**NON-DISBURSING OPERATIONS**					
	2.1 Agreement not Signed	131	18.14	803.93	1044.56	19.46
	2.2 Agreement not Effective	72	9.97	374.47	488.23	9.06
	2.3 Effective but not Disbursing	192	26.59	862.06	1133.07	20.86
	Sub-Total	**395**	**54.71**	**2040.46**	**2690.16**	**49.38**
	Total (1+2)	**722**	**100.0**	**4132.07**	**5499.89**	**100.0**

IDB's post-approval policy exerts strong emphasis on implementation follow-up. In addition to start-up seminars, workshops and other training arrangements, IDB provides capacity building to executing and implementing agencies to improve the capacity for implementing and monitoring ongoing projects.

During 1423H, several technical assistance operations were provided for capacity building purposes. Furthermore, IDB staff underwent training in portfolio management. Occasionally, IDB utilizes consultants to undertake supervision.

On the other hand, the amount of supervision rendered by Headquarter staff remained relatively at par with last year's level. However, there was greater focus on problem projects. Additionally, the reorganization of the Operations Complex and the appointment of Country Officers responsible for countries undertaken during the year is expected to improve the Bank's understanding of the countries' capacities and constraints to manage projects. Besides, the Bank will improve its overall knowledge on the member countries and ensure efficient utilization of its assistance. The Bank has also increased its country focus through increased field presence. In addition to the three Regional Offices, the Bank has field representatives in Algeria, Indonesia, Iran, Kazakhstan, Libya, Pakistan, Senegal and Sudan. Their mandate, for the time being, is focused on project implementation follow-up.

As stated earlier one of the limitations encountered in co-financed operations was the diversity of policies and procedures among the co-financing partners, thereby straining the limited administrative and management capacities of recipient countries. To circumvent this problem, IDB had, since 7 years ago, started to standardise its policies and procedures with those of its major collaborators, the Arab Coordination Group. The purpose of this harmonization is to simplify implementation and supervision.

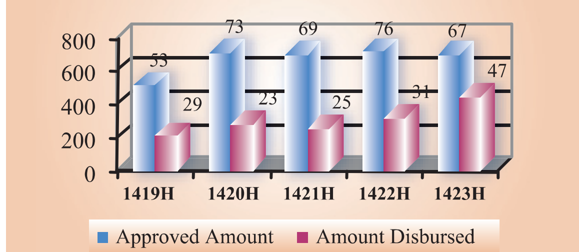
Today, the Arab Coordination Group has 8 sets of common procedures, guidelines and model agreements as follows:

- Guidelines for Project Appraisal.
- Guidelines for the Use of Consultants.
- Model Agreement for Consulting Services (Feasibility Studies).
- Model Agreement for Consulting Services (Design and Supervision).
- Standardized Roster of Consultants.
- Guidelines for the Procurement of Civil Works.
- Disbursement Procedures.
- Post-evaluation of Completed Projects.

In the meantime, the Arab Coordination Group is working to improve the quality of its monitoring and supervision, including joint missions for co-financed projects. This may entail further simplification of the administrative and supervisory procedures, as well as the training of project implementation units and key Government ministries and departments. Concurrently, IDB has joined other multilateral development banks (MDBs)[5] in the pursuit of harmonizing their policies, procedures and practices with the view of further improving the delivery and effectiveness of development assistance at the country level.

The Bank continues its efforts to improve disbursements. Total project disbursements during 1423H amounted to ID447.00 million (US$612.39 million). These disbursements increased more than 39 percent over that of 1422H when they stood at ID 321.0 million (US$ 440.0 million). Thus, the disbursement ratio increased to 64 percent during 1423H, as compared to nearly 45 percent in 1422H. Chart 3.8 shows the trend over a 5-year period. To ensure proper utilization of project funds, the Bank has, with effect from 1423H, made it mandatory the submission of periodic audited project accounts and financial statements of implementing/executing agencies.

CHART 3.8
DISBURSEMENT AND APPROVAL TREND, 1419H-1423H



V. OPERATIONS EVALUATION

As a matter of policy, the Bank evaluates the results of its current activities to assess the effectiveness of its past operations regularly, with a view to improve the impact of its future financing activities. Within this framework, the Operations Evaluation Office (OEO) conducts post-evaluation of completed projects, special studies on problem projects, sector studies, thematic evaluations and country assistance evaluations.

[5]World Bank, Inter-American Development Bank, European Bank for Reconstruction & Development (EBRD), African Development Bank, and Asian Development Bank.

During 1423H, the Bank conducted 21 evaluation exercises, comprising 15 projects of the operations departments (including 13 completed and 2 on-going problem projects), 5 operations of the Special Assistance Office and one country assistance evaluation.

The preparation of Project Post Evaluation Reports (PPER) on the evaluated projects provided a comprehensive analysis in terms of their design, implementation and achievement of targets. The evaluation outcome emphasised the need for careful project selection and assessment of the capacity of executing agencies. It also stressed the need for better project follow-up and monitoring. Several recommendations were made in the PPERs to enhance the quality and impact of future operations.

Projects are evaluated individually using both quantitative and qualitative criteria such as the effectiveness of project design, quality of supervision during implementation, economic and financial rates of return, sustainability of benefits and socio-economic impact of the project. Where quantitative analysis is not possible, the degree of fulfillment of the initial project objectives (i.e. at the time of appraisal) is taken as the main yardstick. The outcome of a group of projects belonging to same sector or theme may often be used to assess the impact of the Bank's assistance in that sector/theme.

With regard to thematic evaluation, the post-evaluation exercise undertaken by the Bank during the last two years (1422H and 1423H) focussed on integrated rural development, due to the high importance attached to rural and agricultural development in the Medium-term Strategic Agenda of the Bank, as well as in the national development plans of member countries. The lessons learned from post evaluated projects are highlighted in Box 3.1.

As for the special evaluation, the Bank evaluated two on-going problem projects in Niger and Qatar during the year. Similarly, four education and one orphanage projects in Ethiopia under the Special Assistance Programme of the Bank were post evaluated. In addition, 2 other Special Assistance operations in Cameroon were post-evaluated, consisting of a hospital and education project.

Country Assistance Evaluation (CAE) has been introduced as the IDB s role becomes increasingly country-based, programme-focussed and policy-oriented. More specifically, the CAE assesses the

BOX 3.1

Lessons Learned from Experience in Post-evaluating Rural Development Projects Financed by IDB

The lessons learned from experience in post-evaluation of rural development projects undertaken by the Operations Evaluation Office (OEO) during 1422H and 1423H are summarised below:

In Guinea, a land development project was devised upon the assumption of the dyke s non-vulnerability against the erosive action of sea tides. The unpredictability of ocean behaviour as well as the rapidly evolving maritime pattern was not taken into account while designing the project. The protection of the dyke and the necessity of its sustainability and maintenance under the responsibility of the Government could have been a condition for loan effectiveness.

In most cases, agricultural productivity has been constrained by the slow adoption of technological innovations by the farming community. The provision for irrigation infrastructure should be complemented by effective agricultural support services, including the use of High Yield Varieties (HYV) of seeds, fertilizers and other inputs.

A participatory approach involving all concerned partners during project implementation should be embodied in the formulation of any rural development project. In this connection, several community-based development projects have demonstrated that most of the activities (such as small-scale irrigation and range land improvement) are not limited, by their very nature, to a particular target group. They should focus on the socio-economic conditions of the poor within specific zones.

An issue highlighted in irrigation projects is the importance of effective maintenance of facilities for ensuring sustainability of operations and benefits. Adequate beneficiary participation and effective recurrent funding is required for achieving the project s operational sustainability.

The Government should set up a suitable mechanism for cost recovery and its gradual transfer to the beneficiaries of the irrigation facilities. Further strengthening of the Water Users Association (WUAs) is very important for better sustainability of irrigation infrastructure. An equally important factor is the commitment of the beneficiaries to the payment of Irrigation Service Fees (ISF).

For an effective utilisation of scarce water resources, an integrated approach to management and development of water resources should be considered in the design of future irrigation projects to be implemented in dry regions.

overall effectiveness of donor assistance programme to the recipient country. For the first time, a CAE was carried out for Jordan in collaboration with the World Bank.

Dissemination and feedback of evaluation findings, lessons learned and conclusions form the backbone of the evaluation process. Systematic dissemination is essential for ensuring improved project planning and implementation. The Bank has paid increasing attention to the dissemination of evaluation results in the following ways:

- Distribution of various OEO reports to the Management and concerned operations departments to sensitise them about lessons learned from evaluation exercises.
- Annual Report providing a summary of findings, lessons learned and recommendations made during the year in question.
- Special communication with the IDB Governors concerning issues such as project sustainability and the safety of the Bank s investments.
- Participation by the OEO in the Technical Review Group (TRG) and Operation Committee meetings to allow fast tract feedback of the lessons learned, as well as the Bank s experience in the sector or country concerned while discussing new projects.

VI. CONSULTING AND PROCUREMENT SERVICES

The Consultancy and Procurement Services Unit is a centralized service provider to the Bank's core operations departments. The Unit has set up a registration system, which provides a roster of experts/firms that can render consultancy services. This roster gives basic information on each firm/entity, such as address, key personnel, their specialization, curriculum vitae, experience, fields of competence, examples of projects undertaken, etc. The services often hired by the Bank are utilized for capacity building and for designing, formulating and implementing projects. They also help determine the technology and to a large extent, the type of equipment to be used.

Given the Bank's policy of affording special preference to member country consultants, contractors and suppliers; 82 percent out of the US$7.80 million consultancy work undertaken in 1423H was executed by consultants from member countries. A significant portion of this share benefited African consultants particularly in Togo, Niger, Senegal, Benin, Sudan, Mauritania, and Burkina Faso. The majority of the non-member country consultancy works were sought from Canada, Britain, France, Germany and Hong Kong. These were mainly for highly specialized areas that were not readily available in member countries.

On a cumulative basis up to the end of 1423H, the Bank utilized US$153.40 million for consultancy services, of which 71.4 percent (US$109.60 million) went to member country consultants.

VII. REGIONAL OFFICES

The three IDB Regional Offices located in Almaty (Kazakhstan), Kuala Lumpur (Malaysia) and Rabat (Morocco) were established with the view of bringing the Bank closer to the member countries in the wake of increasing demand and diversity of the Bank's products and services. As of today, the contribution of the Regional Offices to the operational activities of the Bank has been quite significant.

Firstly, Regional Offices have assisted the Headquarters in project identification (pipeline building), appraisal, and implementation follow-up. They have forged a closer working relationships with member countries, the private sector and international financing institutions represented in the host countries. Secondly, they have followed-up on operational overdues and on share capital, assisted in the preparation of three-year work programs, carried out start-up workshops, participated in post evaluation work, and promoted IDB's products and services through seminars and other fora.

Furthermore, Regional Offices now undertake many activities of other business units of the IDB Group, including the Islamic Corporation for the Development of the Private Sector (ICD), the Islamic Corporation for the Insurance of Investment & Export Credit (ICIEC), and the Assets Management Department (AMD). Others are the Special Assistance Office, the Trade Finance & Promotion Department, the Islamic Research & Training Institute (IRTI), the Technical Cooperation Program, and the Cooperation Office. These added responsibilities are being handled with same resources as in the past when the Regional Offices serviced only the three Country Operations Departments.

In short, Regional Offices have provided the avenues for the Bank to achieve two crucial objectives namely, that of being client-focused and secondly, getting results (impact) on the ground. Their performance has been consistent with the Bank's mission and mandate. The work of the field representatives, as noted earlier, is a complement to the activities of the Regional Offices. The Regional Officers work in close consultation and guidance of the Country Operations Departments. Box 3.2 summarizes the major achievements and contributions of the Regional Offices.

Box 3.2

Summary of Major Achievements and Contribution of the Regional Offices

Participation in country assistance strategy studies (CASS) and Country Dialogue missions and ensuring implementation of agreed work programs.

Contributing in the preparation of three-year work programs and updating them annually for countries directly served by Regional Offices.

- Rabat, 4 countries (Algeria, Mauritania, Morocco, Tunisia)
- Almaty, 4 countries (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan)
- Kuala Lumpur, 3 countries (Brunei, Indonesia, Malaysia)

Participation in project preparation and appraisal, as well as processing of technical assistance operations

Attracting new business opportunities for the Bank, resulting in two to three-fold increase in the number of operations and quantum of financing

Carrying out start-up workshops to facilitate smooth take-off of newly approved projects

Concerted follow-up of approved operations, resulting in increased pace of project implementation

Shortening the time between approval to first disbursement, and substantial increase in the disbursement rates. At current disbursement rates, project completion time will be shortened from 5-7 years to about 3-5 years

Contribution in country performance portfolio reviews (CPPRs)

Maintaining relations with member countries and sister international financing institutions

Undertaking promotional activities on IDB's policies, procedures and practices

Support to other members/entities of the IDB Group (trade and private sector windows, Special Assistance, Islamic Research and Training Institute (IRTI), Technical Cooperation Office (TCO) etc.)

Assistance to post-evaluation work.

In future, the activities of the Regional Offices will continue to be guided by the strategic objectives of the IDB Group namely, poverty alleviation, promotion of cooperation among member countries (through trade) and promotion of Islamic banking and finance. Regional Offices will be provided with strategic vision, policy guidelines and operational targets on all the three strategic fronts. The Offices are expected to play an even greater and prominent role in the dual objectives of client focus and development impact. However, for that to happen, several options are being considered by the Bank Management, such as:

- Devising new and market-oriented responsibilities and functions specific to each Regional Office. This will enable the Regional Offices bring in more new business opportunities, process more projects and other operations of the IDB Group and contribute to the expanding and broader operational activities of the Group. This will be in line with the Bank's new strategic orientation.
- Delegating more authority to the Regional Offices to enable them respond quickly and decisively to member country needs and queries, and therefore deliver Bank's services more effectively in the furtherance of the IDB Group goals.
- Providing additional human and budgetary resources to match with the workload and specific market requirements of each Regional Office. In this way, Regional Offices will be able to undertake and implement the Bank's work program with relative ease. They will also be able to provide prompt and quality assistance to executing and implementation agencies.
- Providing adequate backstopping and policy guidance from the Headquarters.
- Training of Regional Office staff in project preparation, project management, resource mobilization and institutional collaboration (to facilitate co-financing and related activities with other international financing institutions).

VIII. WAQF FUND OPERATIONS

The concept of the Wafq is to provide grant (free) assistance to the needy. The Waqf Fund was established in 1979 to provide various types of assistance to Muslim communities in non-member countries; educational grants (initially in non-member countries but presently in member countries as well); and relief against natural disasters such as drought, floods, earthquakes etc. The Waqf Fund is also utilised to cover administrative and other overheads of the non-income generating activities of the Bank (see Box 3.3).

BOX 3.3
Sources of Income and Utilization of the Waqf Fund

The Waqf Fund derives its income from the following sources:

- Return from cash and cash equivalents and fixed deposits with banks
- Profit on managed investment
- Net income from deposits of the Unit Investment Fund (UIF)
- Investment in Murabaha and other funds, etc.
- At the end of 1423H, the total net income of the Waqf Fund stood at ID43.47.

The resources from the Waqf Fund are presently utilised for the following main activities:

- Special Assistance operations, particularly for Muslim communities in non-member countries.
- Islamic Research and Training Institute (IRTI).
- Scholarship Programmes.
- Technical Cooperation Programme.
- Special Account for the LDMCs.
- Technical Assistance loans and grant financing.
- Contribution to Adahi (Sacrificial Meat Utilisation Project of the Kingdom of Saudi Arabia).

Details of the assets and income sources of the Waqf Fund are given in Chapter 7. Details of the Technical Assistance grants have already been covered in earlier sections of the present Chapter, while IRTI and Adahi (Sacrificial Meat Utilisation Project of the Kingdom of Saudi Arabia) are covered in Chapter 5. The present chapter focuses on the utilisation of Waqf Fund for the Special Assistance Programme, the Scholarship Programme, the Technical Cooperation Programme and the OIC-Vaccine and Illiteracy Eradication Programmes.

1. Special Assistance Programme

The Special Assistance Program was established in 1400H with the basic objective of promoting the development of Muslim communities in non-member countries of the IDB in the areas of education and health. It also aims to alleviate the sufferings of those communities afflicted by the natural disasters or war in both member as well as non-member countries.

Since inception of the Program, the assistance to Muslim communities in non-member countries has focused on developing and strengthening institutions involved in educational, social and health activities to help them improve people’s standard of living and to preserve their Islamic identity.

The Special Assistance Program also assists member countries through training and research to help orient their economic, financial and banking activities towards *Shariah*. In summary, the types of projects supported by the Special Assistance Program are as follows:

- Educational, health and social projects for Muslim communities in non-member countries;
- Assistance to refugees from member countries or from Muslim communities in non-member countries or in neighboring member countries;
- Relief assistance to member countries afflicted by natural disasters or calamities; and
- Support for research centres involved in research activities or programs for teaching Islamic culture or Arabic in Muslim countries

In 1423H, the Bank approved thirty-eight operations totaling ID 9.34 million (US$ 12.54 million) from the IDB Waqf Fund. Eight operations totaling US$6.16 million were approved in five member countries and thirty operations totaling US$6.38 million were approved for Muslim communities and organizations in eighteen non-member countries. They include two operations approved from the US$1 million Relief for the 2001 Earthquake Victims in Gujarat, India. These operations were a school and a vocational training centre in Anjar at a cost of US$0.19 million, and three model schools worth US$ 0.30 million (total US$ 0.49 million). Details are given in the Table 3.9 below.

It may be recalled that in 1422H, the Bank pledged US$50 million for the reconstruction of Afghanistan in form of a Special Assistance Grant and concessional loan. During 1423H, the Bank focused its attention on implementing the Special Assistance Grant of US$10 million. To this end, ID3.41 million (US$4.70 million) was approved for the reconstruction of women s hostel and dormitory at Kabul University. The balance (US$5.30 million) will be utilised in 1424H for the construction of primary and secondary schools.

Table 3.9
OPERATIONS FINANCED FROM THE IDB WAQF FUND IN 1423H IN MEMBER COUNTRIES AND FOR MUSLIM COMMUNITIES IN NON-MEMBER COUNTRIES

(US$ million)

Sl. No	Countries	Project	US$
Member Countries			
1.	Afghanistan	Relief to victims of Earthquakes (March 2002)	0.20
2.	Afghanistan	Construction of Women s Dormitories at Kabul University	4.69
3.	Cote D'Ivoire	Abdullah Ibn Masoud Primary School	0.14
4.	Mozambique	Construction, Equipping & Completion of Islamic Centers & Institutes	0.13
5.	Mozambique	Urgent Relief for the Flood Victims in Mozambique	0.10
6.	Palestine	Relief for Palestinian University students in West Bank	0.20
7.	Somalia	Textbooks for Schools in Somalia	0.58
8.	Somalia	Urgent Relief for the Drought in the Horn of Africa	0.10
		Sub Total (1)	**6.16**
Non-Member Countries (Bosnia, China, Ethiopia, Kenya, Malawi and USA had more than one operation)			
1.	Bosnia	Two operations (private sector training, extension of Gazi Khusro Beck School)	0.34
2.	Burundi	Secondary School in Bujumbura	0.22
3.	Canada	Construction of Iqra Islamic High School	0.30
4.	China	Two operations (rehabilitation of floods, damage schools, construction of Muslim S&T Training Center)	0.82
5.	Congo DR	Secondary School, Kindu	0.19
6	Croatia	Construction & Equipping an Islamic Primary School in Zagreb	0.26
7.	Eritrea	Urgent Relief for Drought in the Horn of Africa	0.10
8.	Ethiopia	Three operations (Relief assistance, school supplies, Waqf Property)	0.56
9.	India	Six operations (Assam, Uttar Pradesh, Maharashtra, Gujarat)	1.09
10.	Kenya	Two operations (Workshop, Library & Hostel in Nairobi; relief assistance)	0.38
11	Kosovo	School within King Fahd Cultural Center, Prishtine	0.31
12	Malawi	Two operations (Construction of Maone Park Vocational Training center, relief assistance)	0.40
13.	Nigeria	School building, Okota-Isolo, Lagos	0.20
14.	Russian Fed.	Construction of Manarat Nalchik School in Nalchik City	0.20
15.	South Africa	Hostel for Girls Vocational Centre, Verulum, Kwazulunatal	0.18
16.	Sri Lanka	Remodeling, Furnishing & Equipping Al-Markaz Polyclinic	0.15
17.	Thailand	Training centre, Muang	0.22
18.	USA	Two operations (Al-huda Academy, Little Rock City, Arkansas; Adams Center - Phase I, Herndon, Virginia)	0.49
	***Sub-total (2)**		**6.38**
	Total (1+2)		**12.54**
	Sub-total (2) does not		

A summary of Waqf Fund activities with regard to the Special Assistance Program shows that by the end of 1423H, a total of US$540.31 million was spent on 972 operations and programs, of which US$350.93 million was approved for 360 operations in member countries, and US$189.38 million for 612 operations for Muslim communities and organizations in non-member countries. A summary of Waqf Fund activities according to Hijra years is shown in Table 3.10. Overall, activities in member countries have accounted for 65 per cent of the global approvals.

2. Scholarship Programmes

The Bank s Scholarship Programme was established in 1402H to assist Muslim communities in non-member countries to raise their standard of living through education and training.

2.1 IDB Scholarship Programme for Muslim Communities in Non-Member Countries

This Programme started in 1404 H (1983-84) with the aim of:

TABLE 3.10
SUMMARY OF OPERATIONS APPROVED FROM THE IDB SPECIAL ASSISTANCE FOR MEMBER COUNTRIES AND FOR MUSLIM COMMUNITIES AND SOCIETIES IN NON-MEMBER COUNTRIES

Year	Member Countries		Muslim Communities in Non-Member Countries		Total	
	No.	US$	No.	US$	No.	US$
Cumulative 1396-1413H	201	270.701	252	104.308	453	375.009
1414H	23	16.130	43	7.701	66	23.831
1415H	7	1.301	29	6.123	36	7.424
1416H	7	5.312	40	7.170	47	12.482
1417H	11	13.162	28	6.750	39	19.912
1418H	11	5.899	39	9.121	50	15.020
1419H	25	3.995	41	9.223	66	13.218
1420H	26	12.979	50	18.474	76	31.453
1421H	20	8.834	27	6.521	47	15.355
1422H	21	6.459	33	7.614	54	14.073
1423H	8	6.158	30	6.382	38	12.540
Total	**360**	**350.926**	**612**	**189.385**	**972**	**540.310**
Share		**65%**		**35%**		**100%**

- Providing opportunities for academically meritorious and financially needy young Muslim students to pursue undergraduate or first-degree studies; and
- Training these students in specific disciplines to enable them to become professionals who are dedicated to the development of their communities and countries.

The disciplines are medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science at universities and can be undertaken in students' own countries or in IDB member countries. As an exception, the Programme also includes banking, finance, administration, management, accountancy and marketing for Muslim communities in the Commonwealth of Independent States (CIS) and East European countries. Beginning 1420H (1999-2000), the Bank also included accounting and business studies for some countries.

Although the Programme serves Muslim communities in non-member countries, it also assists nine member-countries on an exceptional basis. While implementation of the Programme in Afghanistan, Palestine and Somalia will remain an exception, in the remaining six member countries, namely Albania, Azerbaijan, Cote d'Ivoire, Kazakhstan, Mozambique, and Togo, the Programme will be reviewed on a case by case basis.

The Bank awards the scholarships as grants to the Muslim communities and as interest-free loan (*qard hasan*) to academically meritorious and financially needy students recommended by their communities. The refunded loans are deposited in trusts (awqaf) established in each country to help other needy students from the same communities.

The Programme is implemented in each country in conjunction with bona fide Muslim organisations as the Counterpart Organisations for the Programme. The local Selection Committees consisting of Muslim scholars, educationists and community leaders, interview the applicants to determine suitability. The Counterpart Organisations announce the Programme, distribute application forms, scrutinise and short-list the applications before recommending the eligible candidates to the Bank for final selection.

To increase students' knowledge of Islam and social awareness and to encourage active participation in students' respective communities and countries, the Programme also undertakes counselling primarily through Honorary Counselors who organise and co-ordinate extra-curricular activities for students.

Since the Programme's inception in 1404H, the Bank has granted scholarships to students in fifty-six countries, including nine member countries, with continued efforts to include more Muslim communities.

In 1423H the Bank spent a total of ID 2.30 million (US$3.17 million) on the Programme. Since the Programme's inception, the Bank has spent a total of ID 34.12 million, benefiting 6,467 students. A total of 3,280 students have completed their studies, 638 students (10 per cent) dropped out for various reasons, leaving a total of 2,449 students still studying under the Programme. A list of countries and the number of beneficiaries per country is provided in Table 3.11.

2.2. IDB Merit Scholarship Programme for High Technology

Introduced in 1411H (1991-92), the IDB Merit Scholarship Programme provides scholarships for

TABLE 3.11
IDB SCHOLARSHIP PROGRAMME FOR MUSLIM COMMUNITIES IN NON-MEMBER COUNTRIES PROGRESS DURING 1423H (15 MARCH 2002-03 MARCH 2003)

Sl. No.	Country	Cumulative (Total Utilisation up to 1422H (2001-02)	Quota for 1423H (2002-03)	Utilisation in 1423H (2002-03)*	Cumulative (Total Utilisation up to 1423H (2002-03)	Number of Graduates	Number of Non-Completion	Present Total of Recipients
1.	Argentina	3	2	-	3	-	-	3
2.	Bosnia & Herzegovina	44	10	-	44	13	2	29
3.	Bulgaria	43	3	3	46	12	14	20
4.	Burundi	0	0	3	3	0	0	3
5.	Cambodia	22	2	-	22	5	1	16
6.	Canada	23	2	2	25	9	1	15
7.	Central African Republic	5	3	-	5	-	-	5
8.	China	34	10	11	45	1	1	43
9.	Congo	15	2	2	17	9	6	2
10.	Dem. Rep. of Congo (Zaire)	24	7	8	32	8	8	16
11.	Eritrea	125	6	-	125	47	29	49
12.	Ethiopia	123	15	15	138	40	17	81
13.	Fiji	42	2	2	44	22	12	10
14.	Ghana	192	9	10	202	104	19	79
15.	Greece	1	2	1	2	1	-	1
16.	Guyana	13	2	1	14	5	4	5
17.	India	1980	120	-	1980	1308	65	607
18.	Kenya	150	8	7	157	85	14	58
19.	Kibris	8	2	-	8	3	1	4
20.	Lesotho	5	2	-	5	1	-	4
21.	Liberia	82	5	7	89	27	25	37
22.	Madagascar	36	2	-	36	10	10	18
23.	Malawi	33	3	4	37	14	14	9
24.	Mauritius	37	2	2	39	25	2	12
25.	Mongolia	32	2	2	34	10	10	14
26.	Myanmar (Burma)	130	8	5	135	36	47	52
27.	Nepal	89	4	5	94	56	9	29
28.	New Zealand	11	2	3	14	5	2	7
29.	Nigeria	665	60	-	665	308	55	302
30.	Papua New Guinea	1	2	-	1	-	1	0
31.	The Philippines	409	22	22	431	215	53	163
32.	Russian Federation	28	8	4	32	11	9	12
33.	Rwanda	28	3	5	33	10	2	21
34.	Singapore	49	2	1	50	38	5	7
35.	South Africa	110	8	-	110	51	18	41
36.	Sri Lanka	217	6	6	223	141	1	81
37.	Tanzania	241	17	15	256	113	41	102
38.	Thailand	338	13	13	351	168	22	161
39.	Trinidad &Tobago	35	2	-	35	23	6	6
40.	U.S. Virgin Islands	2	2	-	2	-	-	2
41.	Vanuatu	2	2	1	3	-	-	3
42.	Vietnam	21	2	-	21	4	2	15
43.	Yugoslavia (Croatia)	2	-	1	3	-	-	3
44.	Yugoslavia (Kosovo)	10	2	-	10	3	2	5
45.	Yugoslavia (Macedonia)	60	2	3	63	13	5	45
46.	Zambia	4	2	-	4	-	-	4
47	Zimbabwe	12	2	2	14	6	1	7
	New Countries**	-	6	-	0	-	-	0
48.	Afghanistan	328	20	20	348	155	45	148
49.	Albania	16	2	2	18	4	2	12
50.	Azerbaijan	1	2	-	1	1	-	0
51.	Cote d Ivoire	36	2	-	36	18	6	12
52.	Kazakhstan	51	5	1	52	11	17	24
53.	Mozambique	35	3	-	35	-	4	31
54.	Palestine	124	4	20	144	86	3	55
55.	Somalia	48	10	12	60	6	2	52
56.	Togo	66	2	5	71	39	23	9
	Total:	**6241**	**450**	**226**	**6467**	**3280**	**638**	**2549**

* Enrollment of students for the year is not complete yet. ** Quota for new countries.

advanced studies and/or research in science and applied technology considered crucial to and needed in the (scientific) development of member countries. The main objectives of this Programme are to:

- Develop technically qualified human resources in the IDB member countries;
- Enhance the scientific, technological and research capability and potential of scholars and researchers in IDB member countries;
- Help meet the needs of the IDB member countries in areas of science and technology; and
- Strengthen the scientific, technological and research capability of institutions in member countries.

The scholarship is tenable at certain renowned applied scientific institutions and/or universities in the developed countries specialising in sixteen areas of study approved under the Programme. These descriptions range from laser to fibre optics and environmental protection. The study is either for three years for a doctorate degree or one year for post-doctorate research.

Initially, the Programme was for five years with a total approved budget of US$9.20 million to train approximately eighty scholars. However, after the successful implementation of the first five-year phase, 1413H (1992-93) to 1417H (1996-97) and a comprehensive evaluation in July 1995 (which recommended the Programme's continuation), the second five-year phase from 1418H (1997-98) to 1423H (2000-01) was approved during the 160th BED Meeting in Jakarta, Indonesia.

In 1423H, a second evaluation of the Programme consisting of the following main recommendations were implemented:

- The increase of the number of scholarships from 20 to 35,
- The countries of study have been expanded to the fast emerging hi-tech countries of Asia and member countries, and
- The focus of the Programme will be on Ph.D study.

In its eleven years of implementation, the Programme has selected a total of 212 scholars, of whom seventy-four post-doctoral scholars have completed their studies and research and returned to their home institutions/countries. Fifty-four scholars completed their Ph.D under this Programme, for a total of 128 graduates.

The Programme is announced once in a year between March and April and applications are received, through the Offices of the IDB Governors, until September 30. The twelfth academic year (A.Y.1424H/2003-04) was announced in April, 2002.

For 1423H, the Programme has spent US$ 1.023 million and selected twenty scholars. By the end of the year, a total of US$ 9.19 million has been spent on the Programme, benefiting 212 scholars from 141 institutions in forty-two member countries. Statistics on selection are in Table 3.12.

2.3 M.Sc Scholarship Programme in Science and Technology for IDB Least Developed Member Countries.

In its 175th meeting (27-28 Sha'ban 1418H/27-28 December, 1997), the Board of Executive Directors of the Bank approved a new scholarship programme, the M.Sc Scholarship Programme in Science and Technology for IDB Least Developed Member Countries.

The M.Sc Scholarship Programme is aimed to develop human resources, especially in science and technology that are both relevant and necessary for development. The main goals of the programme are:

- To increase the number of intermediate level manpower in LDMCs (i.e., the M.Sc graduates) necessary for effective technology development, transfer and maintenance;
- To increase students' access to educational opportunities offered by the IDB initiatives in human resource development for member countries by creating a special programme suited to their circumstances and needs; and
- To enhance the ability of LDMC students to participate in the existing IDB programme in science and technology such as the IDB Merit Scholarship Programme for High technology.

Under this Programme, nineteen IDB Least Developed Member Countries (LDMCs) are eligible. These are Afghanistan, Benin, Burkina Faso, Chad, Comoros, Djibouti, The Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Sierra Leone, Somalia, Togo, Uganda and Yemen.

TABLE 3.12
IDB MERIT SCHOLARSHIP PROGRAMME
STATISTICS ON SELECTION

Sl. No.	Countries	Up to 1420H (1999-2000)	1421H (2000-2001)	1422H (2001-2002)	1423H (2002-2003)	Total Selected
1.	Albania	1	-	1	-	2
2.	Algeria	7	1	1	1	0
3.	Azerbaijan	1	-	-	-	4
4.	Bahrain	4	-	-	-	4
5.	Bangladesh	11	1	1	1	14
6.	Benin	-	-	-	1	1
7.	Burkina Faso	1	-	-	-	1
8.	Cameroon	3	-	-	-	3
9.	Chad	1	1	-	-	2
10.	Egypt	10	1	1	2	14
11.	Gambia	1	2	-	-	3
12.	Guinea	2	-	-	-	2
13	Indonesia	12	2	1	1	16
14.	Iran	6	1	1	1	9
15.	Iraq	2	-	-	-	2
16.	Jordan	5	1	1	-	7
17.	Kazakhstan	1	-	-	1	2
18.	Kuwait	2	-	-	1	3
19.	Kyrghyz Rep.	3	-	1	-	4
20.	Lebanon	3	-	-	1	4
21.	Libya	3	-	-	-	3
22.	Malaysia	4	-	1	1	6
23.	Maldives	2	-	-	-	2
24.	Mali	1	-	-	-	1
25.	Mauritania	1	-	-	-	1
26.	Morocco	5	-	1	1	7
27.	Mozambique	0	-	1	-	1
28.	Niger	1	1	-	-	2
29.	Oman	2	1	1	1	5
30.	Pakistan	10	1	2	1	14
31.	Palestine	6	1	-	-	7
32.	Saudi Arabia	3	1	-	-	4
33.	Senegal	2	-	1	-	3
34.	Sierra Leone	1	-	-	-	1
35.	Somalia	0	1	-	-	1
36.	Sudan	8	1	1	1	11
37.	Syria	6	-	1	1	8
38.	Togo	0	-	1	-	1
39.	Tunisia	5	-	1	1	7
40.	Turkey	4	1	1	1	12
41.	Uganda	2	-	1	1	4
42.	Yemen	3	2	1	1	7
	Total:	**150**	**20**	**22**	**20**	**212**

Some 190 scholars in five years (at the rate of twenty, thirty, forty, fifty and fifty annually) are expected to be awarded two-year scholarships to study in various universities and centres of excellence in IDB member countries leading to an M.Sc in Science and Technology relevant to the needs and national development programmes of the IDB LDMCs. The scholarship will provide for the tuition, living allowance (maximum US$ 200 per month), clothing and books allowance (US$ 600 per year), medical coverage, and a return air ticket.

The first announcement of the Programme was in April 1998, and twenty students were selected for the academic year AY1419H (1998-99). The second academic year AY1420H (1999-2000) was announced in January 1999, and another twenty students from sixteen LDMCs were selected. The third academic year AY 1421H (2000-2001) was also announced in January 2000, and another twenty students were selected. The fourth academic year AY 1422H (2001-2002) was announced in January 2001, and another twenty students were selected. The fifth academic year AY 1423 (2002-2003) was announced in January 2002 and another twenty students were selected. Fifty-six students have been placed in Egypt, Mali, Malaysia, Morocco, Pakistan, Senegal, Turkey and Uganda.

By the end of 1423H, a total of US$ 402,235 was spent on the Programme because of the difficulty in securing timely admission and placement in member countries. Countries on the selection of eligible students over the last five years is given in Table 3.13.

3. Technical Cooperation Programme

The Technical Cooperation Programme (TCP) is one of several avenues that the Bank uses to foster cooperation among member countries. The policies and priorities of the Programme have been discussed fully in Chapter II.

During 1423H, the TCP approved 110 operations, totalling US$1.97 million as follows:

- On-the-job training, studies and familiarisation visits (59 operations at a cost of US$931,800).
- Recruitment and placement of experts (20 operations for US$327,033).
- Workshops and seminars (31 operations, US$714,500).

TABLE 3.13
M. Sc. SCHOLARSHIP PROGRAMME IN SCIENCE AND TECHNOLOGY FOR IDB LEAST DEVELOPED MEMBER COUNTRIES SELECTION FOR THE LAST FIVE YEARS (1419H/1998-99 TO 1422H/2001- 002)

Sl. No.	Countries	1419H 1998-99	1420H 1999-2000	1421H 2000-2001	1422H 2001-2002	1423H 2002-2003	Total Selected
1.	Afghanistan	-	2	3	3	2	10
2.	Benin	2	1	1	2	2	8
3.	Burkina Faso	-	1	-	-	-	1
4.	Comoros	-	2	-	-	-	2
5.	Chad	2	-	2	1	-	5
6.	Djibouti	-	2	-	2	-	4
7.	Gambia	1	2	-	-	2	5
8.	Guinea	1	1	-	1	3	6
9.	Guinea Bissau	-	-	-	-	-	0
10.	Maldives	3	-	2	-	2	7
11.	Mali	-	1	-	2	1	4
12.	Mauritania	1	1	-	1	1	4
13.	Mozambique	-	-	-	-	-	0
14.	Niger	-	2	2	2	-	6
15.	Sierra Leone	2	1	2	1	1	7
16.	Somalia	3	-	2	2	2	9
17.	Togo	-	-	-	-	-	0
18.	Uganda	2	2	3	2	2	11
19.	Yemen	3	2	3	1	2	11
	Total:	**20**	**20**	**20**	**20**	**20**	**100**

From the inception of the TCP in 1404H to the end of 1423H, a total of 1,051 operations have been approved for member countries and regional or international organisations, for a total amount of US$22.42 million. Of this amount, on-the-job training accounted for nearly 32 percent (US$7.15 million), and expert services for about 15 percent (US$3.30 million). Seminars and workshops account for the remainder, that is 53 percent (US$11.96 million).

4. OIC-Vaccine Production and Illiteracy Eradication Programm

In Sha'ban 1420H (December 1999) the Board of Executive Directors (B.E.D.) approved two technical assistance grants of US$3.5 million and US$5.6 million for two respective programs namely: (a) Eradication of Illiteracy in the Islamic World, and (b) Self-sufficiency in Human Vaccine Production. These programs were part of a much wider development agenda aimed at preparing the Ummah for the 21st Century in the areas of education, health, human resources development and intra-trade.

Specifically, the objectives of the Illiteracy Program were to conduct illiteracy eradication caravans, training courses and workshops for specialists in illiteracy campaign. The Program was also expected to build the capacity of existing adult education centres, prepare the necessary curriculum and produce tailored TV programs. On its part, the Vaccine Production Program was intended to increase the supply of cost-effective and affordable vaccines, and ultimately achieve self-sufficiency. This was to be implemented through an assessment of requirements, production capacity and constraints; undertaking feasibility and market studies; and promoting inter-country trade in vaccines. Both programs were to be implemented in 36 months (3 years), effectively from 1421H to 1423H.

At the end of 1423H, 11 technical assistance operations worth ID 2.50 million (US$3.30 million) had been approved under the Illiteracy Program, leaving an unutilised balance of US$0.20 million. These operations were in favour of 10 countries, namely Bangladesh, Chad, Djibouti, Gambia, Jordan, Mauritania (2 operations), Morocco, Sierra Leone, Sudan and Yemen. On the other hand, the Vaccine Production had a utilization of approximately ID1.00 million (US$1.25 million) as at end-1423H in respect of 4 technical assistance operations for Algeria, Egypt, Iran, and Tunisia (one each). This represents a utilization rate of slightly over 22 percent in US dollar terms.

IX. PROJECT PROFILES BY COUNTRY-1423H

This section provides basic information on projects and technical assistance operations approved during 1423H from the Ordinary Capital Resources of the Bank. This information relates to the total project costs, the financing mode applied by IDB, approval date (Gregorian), amount(s) financed by IDB both in Islamic Dinars (ID) and US Dollars, and brief description of project objectives.

The profiles are provided for operations amounting to

US$1.0 million or more. Smaller operations of less than this amount, and which most technical assistance operations fall into, have been excluded from the summary. So also are 'sub-projects' approved from lines of financing extended to national development financing institutions (NDFIs) or supplementary financing provided for previously approved operations.

With regard to the loan financing mode, the usual distinction is made between the financing effected from the Ordinary Capital Resources of the Bank (in which case it is referred to as Ord. Loan), and the financing effected from the Special Account for the LDMCs (coded as LDMC Loan).

Development of Rural Infrastructure is a key area of IDB financing

PROFILES OF PROJECTS APPROVED DURING 1423H (15 MARCH 2002-3 MARCH 2003); BY COUNTRY

Sl; No.	Country	Project Name	Financing Mode	App. Date	Total Cost	IDB Financing (Million)		Description (Purpose/Objectives)
						ID	US$	
1.	Albania	Reconstruction of Vore-Rinas-Fushe- Kruje Road	Ord. Loan	22/12/02	9.55	6.26	8.15	Reconstructing and upgrading the road sections between Vore-Rinas-Fushe-Kruje with the aim of accommodating existing traffic, as well as projected ones
2.	Algeria	Oued R'High Oasis Irrigation (Phase-II)	Istisna'a	09/09/02	50.03	25.60	32.07	Renovating and enhancing the irrigation and drainage systems of date palm plantations over an area of 2778 ha. at Toughgourt (2116 ha.), Mraier (175 ha.) and Djamaa (487 ha.). This will improve date palm production and hence, farmers' income
3.	Algeria	Flood Relief - Restoration of Damaged Infrastructure	Ord. Loan	10/06/02	16.04	6.72	8.39	Reconstructing and rehabilitating part of the physical infrastructure affected by floods in the health and water supply sectors, with a view to alleviate the problems facing the affected population
4.	Algeria	Technical Assistance (TA) Programme for the Ministry of SME/SMIS	T.A.	22/12/02	2.70	1.23	1.54	To strengthen the institution capacities of the SMEs to enable them undertake necessary studies and evaluation; and to upgrade/improve their production, standardisation and quality aspects to enhance their competitiveness in the market
5.	Azerbaijan	Improvement of Physical & Social Infrastructure Facilities	Ord. Loan	06/05/02	11.75	7.00	9.00	To mitigate the effects of earthquake disaster on infrastructure facilities by making them earthquake-proof or housing them in permanent earthquake-resistant buildings. The facilities include educational institutions, medical establishments, administrative buildings, and other related facilities such as bridges, underground gas pipelines, water works and water supply
6.	Bangladesh	Primary School Construction	Ord. Loan	22/12/02	10.66	7.00	9.28	To construct a total of 310 Government primary schools at various locations in the country to (a) minimise illiteracy in rural areas, (b) meet the targets of the primary education development program and (c) ensure proper educational environment in the project areas
7.	Bangladesh	Greater Noakhali & Chittagong Districts Feeder Road	Ord. Loan	02/03/03	12.11	7.00	9.30	To provide better transport facilities by constructing, reconstructing and maintaining the feeder roads (coded type-B) and rural roads including bridges and culverts to facilitate increased agricultural production and socio-economic activities
8.	Bangladesh	Islamic University of Technology (Phase-II)	LDMC Loan	22/07/02	3.76	3.00	3.76	To construct a second academic building and procurement of specialist equipment and furniture to enable the University increase its capacity and offer additional courses in modern and emerging technologies, to train more manpower and develop human resources of the member states of the OIC
9.	Brunei	The Centre for Islamic Banking, Finance and Management	Istisna'a	02/03/02	6.41	3.88	5.17	To support the University Brunei Darussalam in the areas of Islamic Banking, Finance and Economics. The centre will offer specialised courses to undergraduates and graduates students; undertake research on Islamic banking, finance and economics; and organise regional and international conferences, seminars, and workshops. The Centre will also publish articles and books on Islamic banking, finance and economics
10.	Burkina Faso	Primary Education Project-III	Ord. Loan	22/07/02	8.54	6.02	7.52	To increase the gross primary enrolment rates from 42% in 2001 to 51% by the end of 2004; improve the quality and efficiency of primary education; and build and strengthen the capacity of the Ministry of Basic Education
11.	Burkina Faso	Third Health Project in Rural Areas	Ord. Loan & LDMC Loan	20/10/02	10.33	6.23 0.77 7.00	8.10 1.00 9.10	To improve health care services of 12 health districts in 5 regions through the construction of a medical centre and 33 health and social development centres, equipped with bio-medical equipment and furniture, along with an initial stock of essential drugs

12.	Cameroon	Construction and Equipping District Hospitals and Health Centres (4 Provinces)	Ord. Loan	09/09/02	10.44	7.00	9.09	To improve the health coverage and access for the local communities through construction of district hospitals & health centres in four provinces. The project's components are: (a) civil works, (b) office and bio-medical equipment and furniture, (c) ambulances, (d) initial stock of medicines, (e) training, studies & supervision, and (f) support to project management unit (PMU) and audit
13.	Chad	Construction of 20 Health Centres in Biltine	Ord. Loan + LDMC Loan	06/05/02	7.11	4.37 0.60 4.97	5.46 0.75 6.21	To fight poverty by improving access of the local population in Biltine to basic health services through the construction of, and provision of equipment to, 20 health centres
14.	Cote d'Ivoire	Rural Water Supply in Fromager and Savannah Regions	Ord. Loan	09/09/02	9.32	6.31	8.20	To meet potable water needs in various villages in Fromage and Savannah regions through the drilling of 800 bore holes and installation of manual pumps. The project will also train and sensitise beneficiaries, in addition to supporting the project management unit (PMU)
15.	Djibouti	Education Project (Phase-II)	Ord. Loan + LDMC Loan	20/10/02	5.28	1.96 1.73 3.69	2.52 2.73 4.75	To support the Government's Education Sector Reform Programme. The Programme is intended to (a) promote access to primary and intermediate education, (b) expand inspection facilities to improve efficiency of education delivery, (c) train middle-level technicians, and (d) promote the Arabic language
16.	Egypt	The Development of Nile Navigation Route (Cairo-Aswan)	Instalment Sale	06/05/02	15.24	5.75	7.50	To enhance the use of the River Nile as a means of transportation. The survey of the river between Cairo and Aswan (about 952 kms) will improve the navigational efficiency and increase the level of safety
17.	Egypt	Construction of Educational Hospital at Al-Azhar University	Instalment Sale + Ord. Loan	06/05/02	28.95	10.57 7.00 17.57	13.21 8.75 21.96	To complete the diagnostic treatment centre (DTC) of the educational hospital at Al-Azhar University in Cairo. The DTC, when completed, will provide a practical clinical medical education for the university (medical) students, besides offering the necessary diagnosis
18.	Egypt	Establishment of Grain Silos Complexes	Instalment Sale	10/06/02	104.57	32.00	40.00	To establish 20 metallic grain silos (each with 30,000 tons storage capacity) at selected locations in Egypt, to help improve the condition of handling and storage of grains by replacing the open yards currently used for this purpose
19.	The Gambia	Kerewan-Farafenni Road	Ord. Loan	10/06/02	9.06	6.40	8.00	To upgrade the 57-kilometre long Kerewan-Farafenni road section of the "North Bank Trunk Road" to an all-weather paved road
20.	The Gambia	Construction of Serekunda - Madina Ba Road	Ord. Loan	22/12/02	9.64	4.55	5.91	To reconstruct an asphalt road joining 'Greater Banjul Area' with the airport at Yundum. The road will serve an industrial area, and will become part of the trans-West African sub-regional network
21.	The Gambia	OMVG Agro-Pastoral Development in The Gambia.	Ord. Loan	02/03/03	24.88	1.83	2.46	To improve the sociological, economic and ecological balance with the view of sustaining agricultural production in the long-term, and preserving the environment
22.	Guinea	Construction of Feeder Roads	Ord. Loan	02/03/03	21.94	7.00	9.01	To improve 1,960 kms of unpaved feeder roads as part of the National Rural Infrastructure Programme
23.	Guinea	OMVG Agro-Pastoral Development in Guinea	Ord. Loan	02/03/03	24.88	2.04	2.74	To improve the sociological, economic and ecological balance with the view to achieve a sustained agricultural production system, while at the same time preserving the environment
24.	Indonesia	Mu'Amalat Bank of Indonesia (Additional I)	Equity	20/10/02	6.00	4.44	6.00	IDB's additional contribution (equity) to the share capital of Mu'Amalat Bank
25.	Indonesia	Improvement of Search and Rescue (SAR) Communication System	Instalment Sale	02/03/03	13.24	8.55	11.26	To fulfil the global standard requirements laid out by the International Civil Aviation Organisation (ICAO) and the International Maritime Organisation (IMO) in communication system; in addition to fulfilling the need of the Search and Rescue (SAR) operations through the procurement of modern SAR equipment
26.	Indonesia	Maura Enim Integrated Area Development	Ord. Loan	08/09/02	11.73	7.00	9.19	The objectives are to support the development strategy of Central and Regional Authorities through the construction and modernisation of the water treatment and supplies network, education services, farm infrastructure facilities and to strengthen the authorities' institutional capabilities

27.	Iran	Shahid Madani Dam & Irrigation Network (Phase-I)	Instalment Sale + Istisna'a	09/09/02	69.63	1.65 17.90 19.55	2.20 23.81 26.01	To control salinity in the Ajichai river and provide quality agricultural water to develop the Tabriz plain area. The Shahid Madani Dam reservoir will store about 300 million cubic meters that can irrigate cultivable lands of about 40,000 ha. The dam will also serve as a vital flood protection system for the region
28.	Iran	Post Flood Assistance for Golestan Water Resources	Istisna'a	09/09/02	28.19	11.15	14.50	To construct flood protection infrastructure in Golestan Province to prevent the river from overflowing, thereby protecting the life, property and the environment in general from any future calamities. The construction of a reservoir, a dam (Dam No.2) and pumping station with canal network will also provide irrigation water for 4,000 ha. of land
29.	Iran	Agriculture Bank of Iran (Bank Keshavarzi)	Line of Equity, Leas. & Inst. Sale	06/05/02	12.50	10.00	12.50	To extend a second line of financing to Bank Keshavarzi (BK) after successful utilisation of the first one to the tune of 90%. The line will be utilised to finance small and medium-sized enterprises (SMEs)
30.	Kazakhstan	Karaganda Rural Water Supply	Ord. Loan	02/03/03	11.52	7.00	9.45	To improve the health and quality of life of the rural population of the Karaganda Oblast, through the provision of safe and easily access to drinking water
31.	Lebanon	Construction/Reconstruction of Akkar Roads	Ord. Loan	02/03/03	13.16	7.00	9.35	To construct/reconstruct 42.6 kilometres of main roads connecting several towns in the Akkar Region, which is one of the most depressed, and yet densely populated regions in Lebanon
32.	Libya	Expansion of Misurata Steel Complex	Leasing	22/12/02	49.62	34.00	42.93	To increase the production capacity of steel billets by two-fold, from the current level of 0.63 million tons to 1.2 million tons/year, by upgrading the production process technology
33.	Malaysia	Upgrading and Equipping Ministry of Health Hospitals	Instalment Sale	22/07/02	31.45	22.36	27.88	To upgrade diagnostic imaging and intensive care unit (ICU) facilities in selected hospitals located in various parts of the country. The project forms part of the Government's eighth development plan aimed at modernising hospitals and improving medical health services to international standards
34.	Malaysia	Fire Fighting and Rescue Equipment (Phase-II)	Instalment Sale	08/09/02	68.42	25.66	32.00	To provide specialised fire fighting and rescue vehicles in support of Government efforts to enhance the capabilities of the fire rescue department to be able to fight fire in high-rise buildings
35.	Malaysia	The University of Technology Malaysia (UTM), Phase-II	Instalment Sale	02/03/03	43.95	29.46	36.93	To enhance the quality of teaching and research at the University through the procurement of modern teaching and research equipment. UTM aims to be one of the top technical universities in Asia and to be a world-class university in 10 years. The new equipment will support UTM in setting up new and relevant courses, which are highly needed at the undergraduate, post-graduate and post-doctoral levels
36.	Maldives	Gan-Hithadoo Link Road	Ord. Loan	10/06/02	2.79	1.58	1.96	To protect the shore from erosion, expand the workspace of the shipyard at Marradhoo, and reduce the pressure on the capital, Male
37.	Mali	Construction of the Gao Bridge	Ord. Loan	10/06/02	10.14	7.00	8.77	Construction of a bridge over the Niger river at Gao to link the Trans-Saharan network to the National Road Network, as well as roads coming from the neighbouring countries of Niger and Burkina Faso
38.	Mauritania	Reconstruction of Small & Medium- scale Irrigation Perimeter	Ord. Loan + LDMC Loan	02/03/03	6.702	2.50 1.85 4.35	3.24 2.43 5.67	Increasing agricultural production, farmers' income and subsequently their living standards. The project, located in Brakna, involves the reconstruction of 47 small and medium-scale irrigation perimeters covering 1,620 ha

39.	Morocco	The Tetouan -Finideq Highway	Istisna'a	09/09/02	79.13	33.45	41.15	Construction of a 27.5 kilometre Tetouan-Finideq dual carriage-way in the northern part of the country
40.	Mozambique	Construction of the Infulene Health Training Institute	Ord. Loan	20/10/02	7.39	5.12	6.65	Improving and expanding the health care delivery system, health training facilities, and health manpower development by constructing a new health training institute
41.	Oman	Ibra Hospital	Instalment Sale	20/10/02	43.70	8.00	10.50	Establishing a 200-bed regional referral hospital to cater for the 140,340 inhabitants in the region
42.	Oman	Construction of Rustaq-Miskin Road	Istisna'a	10/06/02	28.88	20.90	26.13	Constructing a 76.5- kilometre road which will serve as an inter-regional route between Batinah and Dhahira regions of the Sultanate of Oman
43.	Oman	The Roads Master Plan Development Study	T.A.	02/03/03	1.50	0.78	1.02	Carrying out a comprehensive study for the development of road network in Oman with a view to make a priority list of existing roads that require improvement, and identify new ones that will complement the national network
44.	Pakistan	Karachi University Third World Centre for Chemical Sciences	Instalment sale	06/05/02	11.52	6.94	9.00	To further strengthen the "Third World Centre for Chemical Sciences", where new products and processes would be developed for industry and agriculture. The project will enhance direct interaction between the Centre and industries, in addition to increasing the availability of highly qualified manpower
45.	Pakistan	Procurement of Dredger for the Port Qasim Authority	Leasing	22/12/02	30.88	22.69	30.00	To assist the Port Qasim Authority (PQA) acquire a new dredger (and ancillary units) that will be used to maintain uninterrupted navigability throughout the Port Qasim Channel. The dredger will enable PQA operate more effectively and meet any emergency requirements
46.	Pakistan	Chagai Water Management & Agriculture Development	Loan	02/03/03	8.66	5.65	7.62	To increase agricultural production of poor farmers in Chagai District by improving the water resources infrastructure, extension services, training, animal husbandry practices, and modern agricultural machinery and equipment. The project will also strengthen the institutional capabilities of various agricultural agencies at district and sub-district levels
47.	Palestine	Printing School Textbooks for Academic Year 2002/2003	Ord. Loan	10/06/02	7.70	2.55	3.20	Support to the Palestinian education system, currently experiencing severe constraints as a result of road and town closures, and difficulties encountered in maintaining quality education. The project will provide the necessary textbooks for different schools in Palestine for the year 2002/03
48.	Palestine	Rehabilitation of Damaged Houses & Buildings in West Bank and Gaza	Ord. Loan	18/02/03	12.00	3.76	5.00	To alleviate the suffering of people affected by Israeli incursion, which has damaged property, buildings, houses and basic infrastructure
49.	Palestine	Rehabilitation of Physical & Social Infrastructure Services	Ord. Loan	05/02/03	330.00	5.00	7.00	To support the Municipalities restore essential services through the rehabilitation and reconstruction of municipal facilities, thereby helping to improve the living conditions of the inhabitants
50.	Senegal	Rural Water Supply	Ord. Loan	22/12/02	11.35	7.00	9.10	To improve the living standards and health care conditions of the population in 52 villages along the Gorom and Lampsar rivers by providing basic water supply services
51.	Senegal	OMVG/Agro-Pastoral Development in Senegal	Ord. Loan	02/03/03	24.88	1.72	2.31	To improve the sociological, economic and ecological balance of the national resources with the view to ensure long-term sustainability in agricultural and livestock production
52.	Senegal	Health Sector Improvement, Tambacounda Region	Ord. Loan + LDMC Loan	02/03/03	10.400	4.85 2.15 7.00	6.30 2.80 9.10	To improve the health services through rehabilitation and construction of health centres and improve the quality of health care through the provision of adequate equipment and logistics
53.	Sierra Leone	Rural Water Supply & Sanitation	LDMC Loan	02/03/03	4.41	3.10	3.97	To improve the access of the local population to basic water supply and sanitation services in 4 districts of Kailahun, Kono, Kenema and Tonkolili, located in the East and South of the country

54.	Sudan	Load Dispatching Centre	Leasing	06/05/02	44.02	21.93	27.53	Increasing the security and reliability of the network and grid operations. The Grid Control system will be supported by an advanced software that will boost efficiency in the generation, transmission and distribution; promote more cohesive energy management functions; and accelerate information exchange - all leading to a more effective energy and plant management
55.	Sudan	Health Centres and Malaria and Tuberculosis Control	Ord. Loan + LDMC Loan	22/12/02	10.81	4.76 2.28 7.04	6.18 2.96 9.15	Establishment of 25 new, fully-equipped health centres in 9 states (provinces) to fight malaria. The project also involves the strengthening and expansion of 22 existing Tuberculosis Control Centres in 21 states, and the establishment of a national centre for the diagnosis and treatment of Tuberculosis and related diseases
56.	Sudan	Construction of Basic Schools in Southern Sudan	Loan	02/03/03	10.29	6.87	8.94	To construct 22 basic schools in the southern states of Sudan for school age children as part of the resettlement programme, and help in achieving much needed stability and security in the region
57.	Syria	Conversion of Zayzoon Gas Turbine Power Station	Leasing	10/06/02	187.63	30.44	38.05	Addition of a fourth (116 MW) gas turbine generator and converting the whole power station into a combined cycle, with 4 gas-turbine generator units, 4-heat recovery steam generators, and 2 system turbine generator units (102 MW each) with all the ancillary equipment. The additional net output of 310 MW will increase total output to 658 MW, thereby meeting existing and future demand for electricity
58.	Syria	Tannery Waste Collection and Treatment, Damascus.	Loan	06/05/02	6.72	4.03	5.04	This environmental project is designed to contain and treat tannery waste and water effluents, and assist tanneries to minimise pollution caused by the tannery effluent and emission without placing undue financial burden on the owners
59.	Tajikistan	Dushanbe Water Supply	Loan	02/03/03	10.70	7.00	9.30	To improve the safety and reliability of water supply services in the city of Dushanbe through the reconstruction of two water treatment plants
60.	Togo	Sokode-Tchamba-Kambole-Benin Border Road	Loan	10/06/02	9.76	6.90	8.59	To improve access to the central-east region, with the view to boost agricultural production and socio-economic development in general. The project will contribute to regional integration initiatives with the neighbouring countries of Benin, Mali and Niger. The project scope comprises the construction of a paved road of 85.3 kms long and a bridge. Consultancy services have also been catered for the supervision of works
61.	Tunisia	Load Dispatching Centres	Instalment Sale	20/10/02	40.36	22.22	29.55	To upgrade the medium-voltage power transmission system in the country to improve reliability, reduce losses and satisfy growing demand
62.	Tunisia	Expansion of Wastewater Treatment in Choutrana and Meliana	Istisna'a	09/09/02	45.63	34.14	42.69	To improve the environment of the 'Greater Tunis' by strengthening the capacity of the wastewater treatment for a sizeable part of the city. The project will double the treatment capacity of the "Choutrana" and "Sud Meliane" treatment plants, by constructing new adjacent waste water treatment plants (WWTPS) to the existing plants
63.	Tunisia	Allocation of Line of Financing to Tunisian Banks	Line of Financing	22/12/02	30.00	20.98	30.00	Extending lines of financing to three (3) Tunisian banks to promote small and medium-sized private sector enterprises
64.	Turkmenistan	Mary Diagnostics Centre	Instalment Sale	20/10/02	11.60	4.40	5.50	To strengthen the diagnostic capacity of the medi-care system at the provincial level within the 'improved health delivery programme'. The project will benefit 1.2 million inhabitants of Mary Province
65.	Uganda	Community Vocational Training Polytechnics	LDMC Loan	20/10/02	2.82	2.02	2.52	To establish low-cost multi-skills community level training network and modern vocational training polytechnics for out-of-school youth, the unemployed rural workers and primary and secondary school 'graduates'
66.	Yemen	Al Sharq-Al Daleel Road (Phase-II)	Loan	02/03/03	19.25	10.00	13.45	Construction of a 58.5-kilometre road that will connect the two cities of Al Aharq and Al Daleel, thereby helping in boosting up the social and economic services in the area. The road is part of the national road network

Chapter 4

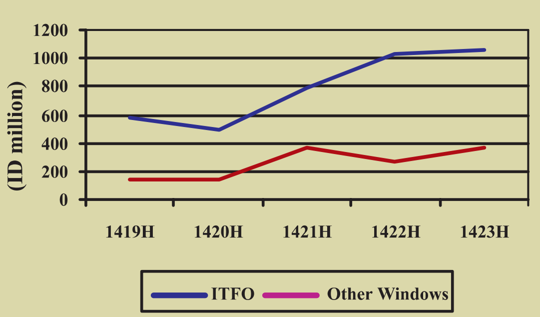
Trade Financing Operations

Bashkent University in Turkey. The Bank has extended a loan of US$ 7.7 million.

HIGHLIGHTS 1423H

- ❖ Total Trade Financing Approved: ID1.43 billion (US$1.89 billion)
- ❖ Trade Financing Approved under:
  - ITFO: US$1.4 billion
  - EFS: US$227.2 million
  - IBP: US$177.3 million
  - UIF : US$87.0 million
- ❖ 71% of ITFO for financing intra-trade
- ❖ Disbursement under trade operations increased from ID822 million to ID829 million
- ❖ Number of seminars and trade fairs organized to promote intra-trade: 9

IDB NET TRADE FINANCING APPROVALS



I. IDB'S TRADE OPERATIONS AND ACTIVITIES

IDB Trade Financing Schemes

The Islamic Development Bank's (IDB) trade financing programme is implemented through a number of schemes and windows: the Import Trade Financing Operations (ITFO), the Export Financing Scheme (EFS), Islamic Banks Portfolio (IBP) for Investment & Development and the IDB Unit Investment Fund (UIF). IDB also manages a special programme, in co-operation with the Khartoum-based Arab Bank for Economic Development in Africa (BADEA), to finance exports from Arab countries to non- Arab League member countries of the Organisation of African Unity.

Achievements to date

The cumulative net approvals since the start of trade operations under ITFO, EFS, IBP and UIF are ID14.7 billionS (US$18.9 billion). Their breakdown is as follows:

- ITFO ID12.1 billion (US$15.4 billion)
- EFS ID880.4 million (US$1.2 billion)
- IBP ID1.5 billion (US$1.9 billion)
- UIF ID308.5 million (US$425.9 million)

Table 4.1 and Chart 4.1 shows the cumulative trade financing approvals from 1397H to 1423H.

The gross trade financing approvals amounted to ID16.6 billion (US$21.4 billion) as at the end of 1423H. Details of these approvals under different trade schemes are shown in Annex 4A of this Chapter.

Achievements in 1423H

In 1423H, the Bank approved a total amount of ID1.43 billion (US$1.89 billion) under the four schemes as compared to 1422H net approvals of ID1.29 billion (US$1.64 billion), representing an increase of about 9.7 per cent.

The amount approved under ITFO in 1423H was ID1.06 billion (US$1.40 billion) as compared to the net approvals of ID1.03 billion (US$1.29 billion) in 1422H. As for EFS, the amount approved was US$227.20 million as against US$213.94 million approved in the previous year. Thus, the amount approved under the two schemes in 1423H totalled

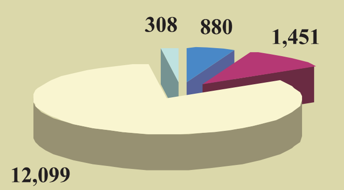
TABLE 4.1
DISTRIBUTION OF TRADE FINANCING APPROVALS, 1397H-1423H*

(Amount in ID million)

Year	ITFO		EFS		IBP		UIF		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Till 1413H	662	6486.07	80	154.24	30	217.36	4	8.04	776	6865.71
1414H	47	290.03	6	20.28	8	133.43	1	3.57	62	447.31
1415H	50	318.82	8	18.57	10	130.09	5	21.68	73	489.16
1416H	44	333.89	10	43.74	6	139.11	5	21.81	66	538.55
1417H	47	364.85	11	31.13	11	153.20	4	17.25	73	566.43
1418H	32	351.93	8	27.25	18	173.75	7	34.92	65	587.85
1419H	31	581.53	15	47.99	10	76.49	4	12.94	59	718.95
1420H	35	496.51	13	51.00	8	79.06	2	14.13	53	640.70
1421H	61	786.66	21	143.27	9	149.72	8	74.86	99	1,154.51
1422H	65	1,028.12	20	170.21	8	66.15	5	35.45	98	1,299.93
1423H	78	1,060.35	21	172.68	13	129.03	9	63.50	121	1,425.56
***Total**	**1,152**	**12,098.86**	**213**	**880.36**	**131**	**1,450.93**	**54**	**308.50**	**1,550**	**14,738.30**
****Gross**	**1,364**	**13,555.67**	**296**	**1,159.78**	**175**	**1,526.68**	**54**	**308.50**	**1,889**	**16,550.61**

* Excluding cancelled operations. Operations syndicated by IBP and UIF with ITFO are shown under ITFO only. The overall total may not tally with those figures given in Tables 01 and 3.1 because of differences in the coverage of data.
** Gross approvals (further details are in Annex 4A)

CHART 4.1
DISTRIBUTION OF TRADE FINANCING APPROVALS 1397H - 1423H (ID million)



US$1.63 billion, representing an increase of 7.6 per cent over the net approvals of US$1.51 billion in 1422H.

The approvals under IBP and UIF trade operations were respectively US$177.3 million (1422H-US$83.0 million) and US$87.0 million (1422H-US$44.50 million).

Total disbursements on account of trade financing in 1423H were ID902.6 million (US$1.24 billion) as compared to ID822.4 million (US$1.03 billion) in 1422H, an increase of 10 per cent.

The breakdown of the disbursements under the various trade financing schemes in 1423H is as follows:

- ITFO- ID725.2 million (US$993.5 million)
- EFS - ID41.4 million (US$56.7 million),
- IBP- ID25.3 million (US$34.6 million)
- UIF-ID37.3 million (US$51.0 million)

Table 4.2 presents details on the total resources available to the Bank for trade financing during the year 1423H. Table 4.3 and Chart 4.2 compare disbursements to net approvals under various trade financing schemes from 1419H to 1423H.

Performance Highlights

The highlights of ITFO performance in 1423H are as follows:

- The approved amount of US$1.40 billion represented an increase of 6 per cent over US$1.29 billion approved in 1422H. Of this amount, US$989.0 million or 71 per cent was for the financing of intra trade.
- Significant increase in approvals this year for Tunisia (US$135 million from US$32.5 million in 1422H), Pakistan (US$230million from US$190 million) Morocco (US$65 million from US$25 million) and Indonesia (US$60 million from US$20 million). There was also a resumption of business with Lebanon and Kuwait with fresh approvals of US$49.0 million and US$35.0 million respectively.
- Improvement in disbursement level with the total amount disbursed during the year reaching ID725.2 (US$993.5 million), an 8 per cent increase over the disbursed amount of ID671 million (US$842.1 million) in 1422H.

TABLE 4.2
RESOURCES FOR TRADE FINANCING FOR THE YEAR 1423H

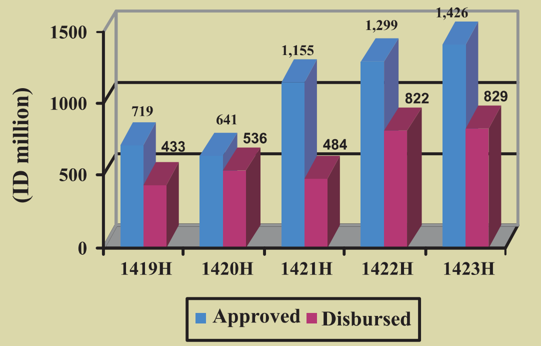
(Amount in US$ million)

Resources	ITFO	EFS	IBP	UIF	Co-financing/ Syndication	Total
IDB	1,195.00	131.29	00	00	00	1,326.29
Member Countries	00	95.91	00	00	00	95.91
Islamic Banks	145.0	00	00	00	15.00	160.00
IBP	20.00	00	177.25	00	00	197.25
UIF	10.00	00	00	87.00	00	97.00
ICIEC	10.00	00	00	00	5.00	15.00
Others*	20.00	00	00	00	00	20.00
Total	**1,400.00**	**227.20**	**177.25**	**87.00**	**20.00**	**1,911.45**

Includes IDB Specific Deposits with IBP, APIF, ICD and AL-Aqsa Fund.

- More approvals under the Two Step Murabaha Financing (2SMF)/Syndication mechanisms with US$370 million approved as compared to US$295 million in 1422H or an increase of 23 per cent. Of this approved amount, US$160 million was from mobilised funds while the remaining US$210 million was from IDB and its windows.
- Major beneficiaries were Bangladesh (US$265 million), Pakistan (US$230 million) Egypt (US$185 million), Tunisia (US$135 million), Turkey (US$110 million), and Iran (US$108 million).

CHART 4.2
COMPARISON BETWEEN TRADE FINANCING TOTAL APPROVALS & DISBURSEMENTS



The highlights of EFS performance in 1423H are as follows:

- The amount of US$227.20 million approved during the year represented an increase of 6.2 per cent over the approvals in 1422H (US$213.94 million). The whole amount was for the financing of intra-trade.
- Major beneficiaries of EFS (as exporters) were Kuwait (US$58.0 million), United Arab Emirates (US$33.0 million), Turkey (US$31.0 million), Pakistan (US$20.0 million), Morocco (US$20.0 million) and Lebanon (US$17.3 million).
- For the first time, EFS financing was provided to finance exports from Lebanon and Indonesia. Also, Libya resumed utilising the facility during the year to finance its exports to Tunisia.

TABLE 4.3
COMPARISON BETWEEN TRADE FINANCING APPROVALS AND DISBURSEMENTS (1419H-1423H)

(Amount in ID million)

	1419H		1420H		1421H		1422H		1423H	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
ITFO	581.5	326.0	496.5	459.0	786.7	372.0	1,028.1	670.9	1,060.4	725.2
EFS	47.9	5.1	51.0	56.8	143.3	99.6	170.2	72.1	172.7	41.4
IBP	76.5	79.0	79.1	16.1	149.7	6.8	66.15	56.6	129.0	25.3
UIF	12.9	23.0	14.1	3.6	74.9	5.3	35.5	22.8	63.5	37.3
Total	**718.8**	**433.1**	**640.7**	**535.5**	**1,154.6**	**483.7**	**1,299.95**	**822.4**	**1,425.6**	**828.6**
Disbursements/ Approvals		**60.3%**		**83.6%**		**41.9%**		**63.3%**		**63.3%**

* Approvals are net of cancellations.

Total resources available for trade financing during 1423H stood at US$1.9 billion (Table 4.2). Of this amount, over US$1.3 billion came from the Bank itself with the remaining coming from IBP (US$197.3 million), Islamic Banks (US$160.0 million), UIF (US$97 million), member countries' sources (US$95.9 million) and ICIEC/others (US$35.0 million).

II. IDB EFFORTS TO PROMOTE INTRA-TRADE AMONG MEMBER COUNTRIES

Allocation and Approval

During the year, IDB allocated US$1.20 billion (1422H- US$1.06 billion) from its own resources for the ITFO programme with the remaining amount of US$800.0 million to be mobilised from external sources under 2SMF and Syndication mechanisms. An allocation of US$270.0 million (same amount as in 1422H) was also made for the EFS.

IDB trade operations have enjoyed an overall improvement in performance in 1423H. Approval under ITFO for the year was US$1.40 billion, an increase of 6 per cent over the net approved amount of US$1.29 billion in 1422H. Of this amount, US$989 million (71 per cent) was utilised to finance imports from member countries (intra- trade).

EFS approval also increased. The amount approved during the year amounted to US$227.20 million as compared to the net approval of US$213.94 million in 1422H, an increase of about 6.2 per cent. All financing under EFS was used to finance intra-trade among member countries.

Total approvals under IBP and UIF were US$264.25 million as against US$127.5 million approved in 1422H, or an increase of 107 per cent,

Review of policies and procedures

IDB has taken a number of measures in order to enhance the effectiveness and utilisation of the trade financing schemes during the year. The most important was the inclusion of Islamic Dinar, Euro, Sterling Pound and Japanese Yen as the currencies of denomination for EFS operations, apart from US Dollars. In order to enhance export capabilities of member countries, pre-shipment financing (Istisna'a mode of financing) was introduced under EFS (details are given in Box 4.1).

Box 4.1
PRE-SHIPMENT FINANCING

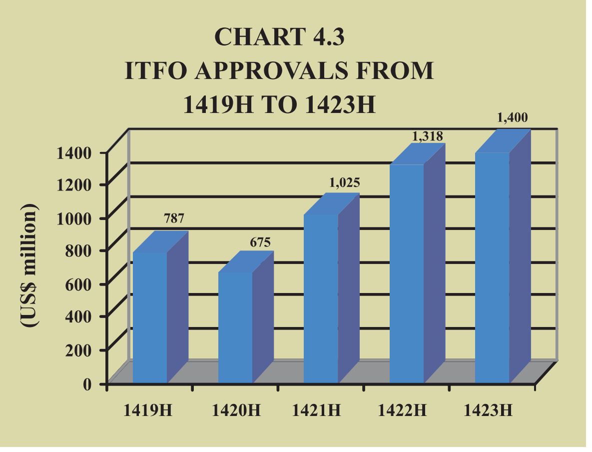
Pre-shipment financing is a medium term trade financing instrument under EFS using Istisna'a mode of financing. Its salient features are summarized below:

- **Eligible beneficiaries**: The manufacturer (exporter) must be from EFS member countries and the buyer (importer) must be from OIC /IDB member countries.
- **Eligible commodities**: All capital goods originating from the exporting member countries.
- **Financing coverage**: Up to 100 per cent of the capital cost item as agreed between the manufacturer and the buyer. This cost includes total FOB cost of manufacturing and delivery of the goods.
- **Currency denomination**: The facility will be denominated in Islamic Dinar, US Dollars, Euro, Sterling Pound and Japanese Yen.
- **Repayment period**: The period shall not exceed 120 months including the manufacturing and delivery period.
- **Mark-up and Rebate**: The mark-up base will be the LIBOR for the relevant currency and period. Where repayment is more than one year, the 12 months relevant currency LIBOR will be used. The spread over the mark-up, which will be favourable and competitive to the market rates, will depend on the credit standing of the beneficiary (importer), prevailing market conditions and tenure of the facilities and credit risk factors..
- **Security**: The beneficiary (importer) shall provide a guarantee from an acceptable bank or any other forms of security acceptable to IDB while the exporter (manufacturer) shall provide an advance payment guarantee from an acceptable bank. In addition, the exporter may be required to provide a performance bond, naming IDB as the beneficiary.

III. IMPORT TRADE FINANCING OPERATIONS (ITFO)

ITFO, funded by Ordinary Capital Resources of IDB, will assist member countries in importing their developmental goods. It is an important instrument used by IDB to promote trade among member countries, in line with the resolution on intra trade at the Eighth Islamic Summit (Tehran -1997). During 1423H, financing under ITFO stood at ID1.06 billion (US$1.4 billion) as compared to ID1.03 billion (US$1.29 billion) in 1422H (Chart 4.3).

Since its inception in 1397H, IDB has approved a total



amount of US$15.4 billion under ITFO, of which US$11.6 billion or 75 per cent was used to finance intra trade. (See Table 4.4) The bulk of ITFO financing was used by member countries to import crude oil (40 per cent), industrial intermediate goods (25 per cent), refined petroleum and petrochemical products (8 per cent), and vegetable oil (6 per cent). The breakdown of ITFO approval by commodity from 1397H to 1423H is given in Table 4.5.

The performance of ITFO has continued to improve in 1423H with US$1.40 billion approved for 78

TABLE 4.4
INTRA-TRADE PERFORMANCE UNDER ITFO BETWEEN 1397H-1423H

(Amount in million)

	Number of Countries	Number of Operations	Amount		Member Country Sources	
			ID	US$	US$	%
Till 1413H	9	662	6486.07	7842.53	5792.52	73.9
1414H	9	47	290.03	405.39	356.25	87.9
1415H	9	50	318.82	473.33	348.33	73.6
1416H	9	44	333.89	498.50	330.50	66.3
1417H	8	47	364.85	519.94	315.44	60.7
1418H	9	32	351.93	479.40	389.40	81.2
1419H	10	31	581.53	787.22	321.00	40.8
1420H	12	35	496.51	674.84	479.84	71.1
1421H	14	61	786.66	1,024.73	830.45	81.0
1422H	17	67	1028.12	1,297.5	1,009.25	76.6
1423H	17	78	1,060.35	1,400.00	989.00	70.6
Total		**1,154**	**12098.86**	**15,403.38**	**11,592.48**	**75.3**

* Net of Cancellation.

TABLE 4.5
ITFO APPROVALS FROM 1397H-1423H BREAKDOWN BY COMMODITY

(Amount in US$ million)

Sl. No.	Commodity	Amount
1	Crude Oil	6,154.32
2	Industrial Intermediate Goods	3,827.81
3	Refined Petroleum Products	1,053.30
4	Petrochemicals	246.82
5	Vegetable Oil	934.50
6	Cement	226.18
7	Fertilizer, Phosphoric Acid and Potash	630.93
8	Jute	157.50
9	Cotton	368.63
10	Sulphur	186.50
11	Iron Ore	115.00
12	Copper Rods	141.25
13	Rice, Wheat	472.82
14	Others	887.81
	Total	**15,403.37**

operations as compared to the previous year's net approvals of US$1.29 billion for 65 operations or an increase of 7.9 per cent. This outstanding performance was mainly due to IDB's ability to generate more business in Indonesia, Kuwait, Lebanon, Morocco, Tunisia and the United Arab Emirates. Apart from sustaining business from traditional clients in Bangladesh, Egypt, Iran, Pakistan and Turkey, the Bank was also able to create structured revolving operations for clients in Niger and Senegal.

Table 4.6 and Annex 4B show the ITFO approvals in 1423H according to the recipient country.

IV. EXPORT FINANCING SCHEME (EFS)

The Export Financing Scheme (EFS) was introduced in 1408H to promote exports from member countries through short-term and long-term financing of exports destined to both member and non-member countries.

TABLE 4.6
ITFO APPROVALS BY COUNTRY IN 1423H

(Amount in million)

Sl. No.	Countries	Amount Approved	
		ID	US$
1	Algeria	26.05	34.00
2	Bangladesh	198.91	265.00
3	Egypt	141.37	185.00
4	Indonesia	44.18	60.00
5	Iran	182.21	108.00
6	Jordan	11.69	15.00
7	Kuwait	26.66	35.00
8	Lebanon	37.05	49.00
9	Morocco	47.50	65.00
10	Niger	3.05	4.00
11	Pakistan	178.37	230.00
12	Qatar	3.86	5.00
13	Saudi Arabia	37.88	50.00
14	Senegal	11.39	15.00
15	Tunisia	100.56	135.00
16	Turkey	83.26	110.00
17	United Arab Emirates	26.39	35.00
	Total	**1,060.35**	**1,400.00**

Details are in Annex 4B.

The scheme has its own membership, capital, budget and resources, and its accounts are maintained separately. Presently, twenty-four members participate in EFS, namely, Algeria, Bahrain, Bangladesh, Brunei, Egypt, Gabon, Indonesia, Iran, Jordan, Kuwait, Lebanon, Libya, Malaysia, Morocco, Pakistan, Saudi Arabia, Senegal, Somalia, Sudan, Syria, Tunisia, Turkey, United Arab Emirates and Uganda.

The total subscribed capital of the scheme to date is ID317 million, of which ID167 million has been subscribed by the 24 member countries and ID150 million by IDB. The present paid-up capital is ID$133.50 million of which ID75 million was paid by IDB.

Since 1408H, cumulative approvals under EFS amounted to ID880.4 million (US$1,176.2 million) in favour of nineteen exporting member countries. Tables 4.7 and 4.8 show net approvals for exporting and importing member countries, respectively from 1408H to 1423H.

In 1423H, an amount of US$227.2 million for 21 operations was approved as compared to net approvals of US$213.9 million for 20 operations in 1422H; an increase of 6.2 per cent.

The majority of the EFS approval during the year

TABLE 4.7
EFS APPROVALS FROM 1408H-1423H
BY EXPORTING MEMBER COUNTRIES

(Amount in million)

Sl. No.	Countries	Amount Approved	
		ID	US$
1	Algeria	7.71	10.00
2	Bangladesh	4.81	6.44
3	Bahrain	19.24	26.00
4	Egypt	65.52	84.62
5	Indonesia	9.21	12.50
6	Iran	4.45	6.00
7	Jordan	18.48	24.90
8	Kuwait	64.17	83.48
9	Libya	6.77	9.14
10	Lebanon	13.35	17.27
11	Malaysia	52.26	73.01
12	Morocco	29.91	39.66
13	Pakistan	20.90	30.00
14	Saudi Arabia	213.14	283.80
15	Sudan	2.24	3.07
16	Syria	0.35	0.48
17	Tunisia	81.13	106.88
18	Turkey	181.74	250.95
19	United Arab Emirates	85.00	108.00
	Total	**880.38**	**1,176.20**

TABLE 4.8
EFS APPROVALS IN FAVOUR OF IMPORTING MEMBER COUNTRIES 1408H-1423H

(Amount in million)

Sl. No.	Countries	Amount Approved	
		ID	US$
1	Algeria	170.83	231.56
2	Egypt	27.81	38.41
3	Gambia	2.57	3.45
4	Iran	142.99	190.10
5	Iraq	31.07	40.00
6	Jordan	1.40	1.92
7	Morocco	1.42	1.93
8	Pakistan	174.77	230.08
9	Saudi Arabia	5.66	7.73
10	Senegal	2.13	2.8
11	Sudan	1.10	1.44
12	Syria	1.49	2.00
13	Tunisia	12.14	17.06
14	Turkey	49.26	66.40
15	United Arab Emirates	0.18	0.24
16	Uganda	1.77	2.26
17	Yemen	11.07	15.00
	Total	**637.66**	**852.38**

* Excluding cancellation and EFS lines of Financing.

(US$138.0 million or 61per cent) was for line operations to banks in Indonesia, Egypt Kuwait, Morocco, Pakistan, Tunisia and Turkey. Financing under direct operations was mainly for the exports of industrial intermediate goods (US$48.0 million) fuel oil/petroleum products (US$29.0 million), and fertiliser and fertiliser raw materials (US$9.4 million). Approvals during 1423H are presented in Annex 4C.

V. TRADE FINANCING UNDER DIFFERENT FUNDS

1. BADEA Export Financing Scheme

The Scheme is implemented in line with the Memorandum of Understanding (MOU) signed in 1998 by IDB with the Khartoum-based Arab Bank for Economic Development in Africa (BADEA). Under the MOU, IDB manages a US$50 million fund as a Mudarib, which will be used to finance exports of developmental goods from Arab countries to the non-Arab members of the Organisation of African Unity.

Since the start of its operations in 1419H, US$66.5 million was approved for twelve operations under the Scheme. (Table 4.9). Major beneficiary

TABLE 4.9
BADEA-EFS OPERATIONS APPROVED 1419H-1423H

(Amount in million)

Year	Exporting Countries	Importing Country	US$
1419H	Jordan & GCC	Mauritius	3.4
	Saudi Arabia	Tanzania	5.0
Sub-total			8.4
1420H	Arab Countries	Uganda	4.4
1421H	Arab Countries	Guinea	7.0
	Arab Countries	Mauritius	5.0
	Arab Countries	Seychelles	4.7
Sub-total			16.7
1422H	Arab Countries	PTA Bank Kenya	4.7
	Arab Countries	Senegal	5.0
Sub-total			9.7
1423H	Arab Countries	Mauritius	5.0
	Arab Countries	PTA Bank, Kenya	2.5*
	Arab Countries	Afrexim bank	15.0*
	Arab Countries	Seychelles	4.8
Sub-total			**27.3**
Total			**66.5**

countries/banks (as importers) of the scheme are the Cairo-based African Export Import Bank or Afrexim Bank (US$15.0 million), Mauritius (US$13.4 million), Seychelles (US$9.5 million), and PTA Bank, Kenya (US$7.2 million)

In 1423H, US$27.3 million or 41 per cent of total approvals to date was approved in favour of Afrexim bank, (US$15 million), Mauritius (US$5 million), Seychelles (US$4.8 million) and PTA Bank, Kenya (US$2.5 million). The credit line operations for Afrexim bank and PTA Bank are to be used by member countries of the two regional banks to finance their imports of developmental goods from Arab countries.

2. Islamic Banks Portfolio for Investment and Development (IBP)

The IBP was established in 1408H by the IDB to: (a) mobilise the liquidity available to the Islamic banks and financial institutions, (b) promote the development of the Islamic financial market, and (c) diversify its portfolio.

Besides other activities, the IBP also finances trade, both direct or syndicated trade operations using the Murabaha mode of financing. To date, US$1.9 billion out of IBP's total portfolio of US$3.0 billion or 63 per cent has been approved for this purpose. (Further details of IBP are provided in Chapter 5).

In 1423H, IBP approved a total of US$177.3 million for 13 operations in Bangladesh (US$26 million) ,Egypt (US$60 million), Lebanon (US$24 million), Pakistan (US$30 million), Saudi Arabia (US$10 million), Tunisia (US$1.3 million) and Turkey (US$26 million) (Table 4.10).

3. IDB Unit Investment Fund (UIF)

Established in 1410H (1989), UIF complements IDB's ordinary operations by financing projects and Murabaha trade operations either directly or jointly with IDB or its windows.

Similar to IBP, the main activity of UIF is financing of direct and syndicated trade operations. To date, it has approved US$425.9 million out of its total portfolio of US$1.08 billion or 39 per cent for this purpose. In 1423H, the institution has approved nine trade financing operations amounting to US$87.0 million in favour of importers in Egypt (US$10 million), Pakistan (US$50 million), Bangladesh (US$15

TABLE 4.10
TRADE FINANCING OPERATIONS APPROVED BY IBP IN 1423H*

(Amount in US$ million)

Sl. No.	Beneficiary Institution/Country	Approved Amount
1	Ministry of Supply, Egypt	20.00
2	A.H. Al-Gosaibi & Bros., Saudi Arabia	10.00
3	Ministry of Petroleum and Natural Resources, Pakistan	11.00
4	Ministry of Petroleum and Natural Resources, Pakistan	11.00
5	Ministry of Petroleum and Natural Resources, Pakistan	8.00
6	Gals Tekstil, Turkey	1.00
7	Ministry of Supply, Egypt	15.00
8	Government of Lebanon	24.00
9	BCIC, Bangladesh	26.00
10	Ministry of Supply, Egypt	25.00
11	STIP, Tunisia	1.25
12	Vestel Dayanukli, Turkey	20.00
13	Turkcell, Turkey	5.00
	Total	**177.25**

* Operations syndicated with ITFO not included.

million), Saudi Arabia (US$5 million), Tunisia (US$3 million), and Turkey (US$4million) (Table 4.11). Further details on UIF are provided in Chapter 5.

TABLE 4.11
IDB UNIT INVESTMENT FUND TRADE FINANCING OPERATIONS APPROVED DURING 1423H*

(Amount in US$ million)

Sl. No.	Beneficiary Institution/Country	Approved Amount
1	Ministry of Supply, Egypt	5.00
2	A.H. Al-Gosaibi & Bros., Saudi Arabia	5.00
3	Ministry of Petroleum and Natural Resources, Pakistan	19.00
4	Ministry of Petroleum and Natural Resources, Pakistan	19.00
5	Ministry of Petroleum and Natural Resources, Pakistan	12.00
6	Gals Tekstil, Turkey	4.00
7	Ministry of Supply, Egypt	5.00
8	BCIC, Bangladesh	15.00
9	STIP, Tunisia	3.00
	Total	**87.00**

* Operations syndicated with ITFO not included.

4. Other Trade Financing Operations

Over the past three years, some other funds in the Bank were also engaged in financing trade operations besides their other financing activities. These include Islamic Corporation for the Development of Private Sector (ICD), Awqaf Properties Investment Fund (APIF), and the Treasury Department in 1423H. The APIF financed two trade operations of ID2.19 million which took its cumulative trade operations to ID2.83 million (US$3.8 million) by the end of the year. The aggregate trade operations by the ICD and Treasury Department, standing at ID0.36 million (US$0.46 million) and ID70.22 million (US$88.55 million) respectively, remained unchanged by the end of 1423H.

VI. TRADE COOPERATION AND PROMOTION

1. Trade Cooperation and Promotion Programme (TCPP)

The Trade Cooperation and Promotion Programme (TCPP) , which started in 1415H, helps IDB to enhance intra-trade among OIC member countries. The objectives of the programme include strengthening of trade relationships, exploring possible trade cooperation and complement and facilitating opportunities for intra trade and export development among member countries.

In 1423H, TC&PP conducted several trade promotion activities as well as capacity building of member countries. The activities are summarised below:

Trade Fairs

- 9th Islamic Trade Fair, Sharjah - U.A.E.
- 10th MUSIAD International Trade Fair, Istanbul, Turkey
- 15th Dakar International Trade Fair, Dakar, Senegal.
- Exhibition on Arab Industries World, Jeddah, K.S.A.
- Tunis International Trade Fair, Tunis, Tunisia.
- Palestine Products Exhibition, Jeddah, K.S.A.

Meetings:

- Sellers & Buyers Meeting for Leather Industries, Damascus, Syria.

Seminars and Workshops

- Workshop on Supply and Demand about Trade Products of Mechanical Industries, Sharjah, U.A.E.
- Seminar on Trade between Arab Maghreb Countries & West African Member Countries, Casablanca, Morocco.
- Training Courses & Studies:
- Studies on rules of origin for Arab Industries Goods.
- On-the-job training for staff from Turkey EXIM BANK.

2. Trade Information and Promotion System (TIPS)

The TIPSys is one of the projects of the Islamic Research & Training Institute (IRTI). The primary objective of this project is to maximize cooperation between exporters, importers and investors in IDB member countries through exchange of trade information and business opportunities through the Internet. The project will be implemented by OICnetwork SDN, BHD Malaysia (see Chapter 5 for further details).

3. OIC Networks SDN, BHD (OICNETWORKS)

The OICnetworks is a joint venture of the IDB and MIMOS BHD of Malaysia. Establishment in April 2000, the company has already launched two programmes (i) OIC Exchange to provide information and services to member countries, and (ii) OIC Trade which aim to facilitate trade between buyers and sellers, especially within the OIC market (see Chapter 5 for the details).

VII. TRADE OPERATIONS EVALUATION

Overall, the performance of IDB trade financing operations has improved in 1423H. Total approvals under the four schemes amounted to ID1.43 billion (US$1.89 billion) as compared to net approvals of ID1.29 billion (US$1.64 billion) in 1422H, representing an increase of 9.7 per cent.

As in the previous years, performance under ITFO was encouraging with approvals reaching US$1.40 billion in 1423H as compared to US$1.29 billion or an increase of 7.9 per cent. This has been achieved through generation of more business in Indonesia, Kuwait, Lebanon, Tunisia and the United Arab Emirates. By sustaining business links with existing clients in Bangladesh, Egypt, Iran, Pakistan and Turkey. And by creating structured revolving operations for clients in Niger and Senegal

Financing of intra trade remained the focus of trade operations with US$989.0 million or 71 per cent of the approved amount under ITFO (US$1.40 billion) and the total approved amount under EFS (US$227.20 million) was meant to finance trade among member countries.

More resources for trade financing were made available by IDB in 1423H to support the intra trade financing endeavour. Marketing efforts during the year were focussed on both existing and new customers with good credit standing. Trade promotion activities under TC&PP were also geared towards complementing the trade financing activities.

The Bank has also taken measures to enhance the effectiveness and utilisation of its trade financing schemes. Among them is the inclusion of the Islamic Dinar, Euro, Sterling Pound, and Japanese Yen, apart from US Dollar, as the currencies of denomination for EFS operations. Pre-shipment financing under EFS (Istisna'a mode of financing) has been introduced in order to enhance export capabilities of member countries.

ANNEX 4A
DISTRIBUTION OF GROSS TRADE FINANCING APPROVALS, 1397H-1423H*

(Amount in ID million)

Year	ITFO		EFS		IBP		UIF		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1397H	5	43.61							5	43.61
1398H	11	127.44							11	127.44
1399H	23	271.56							23	271.56
1400H	36	364.62							36	364.62
1401H	34	392.18							34	392.18
1402H	31	397.02							31	397.02
1403H	28	480.6							28	480.6
1404H	48	729.06							48	729.06
1405H	38	668.21							38	668.21
1406H	59	560.62							59	560.62
1407H	53	453.03							53	453.03
1408H	62	435.84	8	20.19	17	34.62			87	490.65
1409H	65	459.74	35	45.29	7	15.71			107	520.74
1410H	72	461.74	25	36.02	11	31.47			108	529.23
1411H	63	425.35	19	25.37	11	60.07			93	510.79
1412H	86	520.51	28	106.53	4	116.28	1	1.11	119	744.43
1413H	68	380.54	19	53.67	8	31.68	3	6.93	98	472.82
1414H	65	386.18	16	61.26	10	137.29	1	3.54	92	588.27
1415H	67	412.74	15	51.1	16	122.65	5	20.39	103	606.88
1416H	57	431.41	13	59.88	7	131.58	5	22.51	82	645.38
1417H	57	455.06	15	53.37	16	156.62	4	17.92	92	682.97
1418H	42	457.57	8	27.25	19	177.59	7	35.21	76	697.60
1419H	37	663.64	15	47.49	10	75.98	4	12.97	66	800.08
1420H	38	542.3	15	61.32	9	90.24	2	14.11	64	707.97
1421H	74	930.99	24	168.15	9	149.72	8	74.86	115	1,323.72
1422H	67	1,043.76	20	170.21	8	66.15	5	35.45	100	1,315.57
1423	78	1,060.35	21	172.68	13	129.03	9	63.50	121	1,425.56
Total in ID	**1,364**	**13,555.67**	**296**	**1,159.78**	**175**	**1,526.68**	**54**	**308.5**	**1,889**	**16,550.61**
Total in US$		**17,370.29**		**1,509.98**		**2,101.55**		**415.94**		**21,397.76**

* Net approval figures for selected years are given in Table 4.1.

ANNEX 4B
ITFO APPROVALS BY COUNTRY IN 1423H

(Amount in million)

	Commodities	Source of Supply	Amount Approved	
			ID	US$
ALGERIA				
1	Phosphoric Acid (Asmidal)	M.C.	7.72	10.00
2	Wheat (OAIC)	M.C.	18.33	24.00
	Sub-Total:		**26.05**	**34.00**
BANGLADESH				
1	Crude Oil & Ref. Products (Min of Power)	M.C.	19.84	25.00
2	Fertiliser (Min of Industries)	M.C.	19.13	25.00
3	Crude Oil & Ref. Products (Min of Power)	M.C.	18.71	25.00
4	Crude Oil & Ref. Products (Min of Power)	M.C.	18.93	25.00
5	Crude Oil & Ref. Products (Min of Power)	M.C.	18.99	25.00
6	Crude Oil & Ref. Products (Min of Power)	M.C.	18.72	25.00
7	Crude Oil & Ref. Products (Min of Power)	M.C.	18.75	25.00
8	Crude Oil & Ref. Products (Min of Power)	M.C.	18.39	25.00
9	Crude Oil & Ref. Products (Min of Power)	M.C.	18.18	25.00
10	Crude Oil & Ref. Products (Min of Power)	M.C.	18.31	25.00
11	Crude Oil & Ref. Products (Min of Power)	M.C.	10.96	15.00
	Sub-Total:		**198.91**	**265.00**
EGYPT				
1	Wheat (Ministry of Supply)	M.C.	7.96	10.00
2	9th Line (Principal Bank)	M.C./N.M.C.	4.00	5.00
3	Basic Commodities (Ministry of Supply)	N.M.C.	19.59	25.00
4	Wheat (Ministry of Supply)	N.M.C.	7.72	10.00
5	10th Line (Arab African International Bank)	M.C./N.M.C.	11.40	15.00
6	Wheat (Ministry of Supply)	N.M.C.	15.20	20.00
7	Wheat (Ministry of Supply)	N.M.C.	18.97	25.00
8	Wheat (Ministry of Supply)	N.M.C.	18.93	25.00
9	Wheat (Ministry of Supply)	N.M.C.	18.72	25.00
10	Wheat (Ministry of Supply)	M.C.	18.71	25.00
	Sub-Total:		**141.37**	**185.00**
INDONESIA				
1	3rd Line (Bank Rakyat)	M.C./N.M.C.	7.81	10.00
2	Crude Oil (Pertamina)	M.C.	36.37	50.00
3	**Sub-Total:**		**44.18**	**60.00**
IRAN				
1	Aluminum Billets (Iran Pouya)	M.C.	4.00	5.00
2	Capital Goods (Iran Pouya)	M.C./N.M.C.	2.40	3.00
3	Natural Rubber & Tire Cord (Pars Tire)	M.C.	7.58	10.00
4	Natural Rubber & Tire Cord (Kerman Tire)	M.C./N.M.C.	18.93	25.00
5	Locomotives, Wagons (Min of Road)	M.C./N.M.C.	11.38	15.00
6	Natural Rubber & Tire Cord (Alborz Tire)	M.C.	5.32	7.00
7	Chemical/Machinery (Alborz Tire)	N.M.C.	1.52	2.00
8	Raw Materials for Tire (Yazd)	M.C.	3.79	5.00
9	Palm Oil Products (Behshahr)	M.C.	7.62	10.00
10	Vegetable Oil and Raw Sugar (Behshahr)	N.M.C.	11.42	15.00
11	Vegetable Oil (Paksan)	M.C	3.73	5.00
12	Raw Materials/Machinery (Zam Zam)	M.C./N.M.C.	4.53	6.00
	Sub-Total:		**82.21**	**108.00**
JORDAN				
1	6th Line to Jordan (Jordan-Kuwait Bank)	M.C./N.M.C.	7.98	10.00
2	7th Line to Jordan (Jordan National Bank)	M.C./N.M.C.	3.71	5.00
	Sub-Total:		**11.69**	**15.00**

ANNEX 4B (CONTINUED)
ITFO APPROVALS BY COUNTRY IN 1423H

(Amount in million)

	Commodities	Source of Supply	Amount Approved	
			ID	US$
KUWAIT				
1	2nd Line to Kuwait (Gulf Bank)	M.C./N.M.C.	15.20	20.00
2	3rd Line to Kuwait (BKME)	M.C./N.M.C.	11.46	15.00
	Sub-Total:		**26.66**	**35.00**
LEBANON				
1	Gas Oil (Government of Lebanon)	M.C.	15.75	20.00
2	Fuel Oil (Government of Lebanon)	M.C.	3.06	4.00
3	Petroleum Prod. (Government of Lebanon)	M.C.	18.25	25.00
	Sub-total		37.05	49.00
MOROCCO				
1	Petroleum & Product (Samir)	M.C.	47.50	65.00
	Sub-Total:		**47.50**	**65.00**
NIGER				
1	2nd Line to Niger (BINCI)	M.C.	1.59	2.00
2	3rd Line to Niger (BINCI)	M.C.	1.46	2.00
	Sub-Total:		**3.05**	**4.00**
PAKISTAN				
1	Petroleum & Products (Min of Petroleum)	M.C.	19.99	25.00
2	Petroleum & Products (Min of Petroleum)	M.C.	63.92	80.00
3	Crude Oil (Min of Petroleum)	M.C.	19.59	25.00
4	Crude Oil (Min of Petroleum)	M.C.	19.53	25.00
5	Crude Oil (Min of Petroleum)	M.C.	18.88	25.00
6	Crude Oil (Min of Petroleum)	M.C.	18.18	25.00
7	Crude Oil (Min of Petroleum)	M.C.	18.27	25.00
	Sub-Total:		**178.37**	**230.00**
QATAR				
1	1st Line for Qatar (Al Ahli Bank)	M.C./N.M.C.	3.86	5.00
	Sub-Total:		**3.86**	**5.00**
SAUDI ARABIA				
1	Vegetable Oil (Savola)	M.C.	19.00	25.00
2	Raw Sugar (Savola)	N.M.C.	18.88	25.00
	Sub-Total:		**37.88**	**50.00**
SENEGAL				
1	5th Line to Senegal (Is Bank of Senegal)	M.C.	3.91	5.00
2	6th Line to Senegal (Is Bank of Senegal)	M.C.	3.78	5.00
3	7th Line to Senegal (Is Bank of Senegal)	M.C.	3.70	5.00
	Sub-Total:		**11.39**	**15.00**

ANNEX 4B (CONTINUED)
ITFO APPROVALS BY COUNTRY IN 1423H

(Amount in million)

	Commodities	Source of Supply	Amount Approved	
			ID	US$
TUNISIA				
1	4th Line (STB Bank)	M.C./N.M.C.	18.94	25.00
2	Carbon Black Rubber (STIP)	M.C.	3.79	5.00
3	Paper Pulp (SNCPA)	M.C./N.M.C.	7.48	10.00
4	Wheat & Barley (Min of Agriculture)	M.C./N.M.C.	18.71	25.00
5	Iron & Steel (El-Fouladh)	M.C./N.M.C.	4.56	6.00
6	5th Line (Amen Bank)	M.C./N.M.C.	6.82	9.00
7	Natural Rubber (STIP)	M.C.	3.79	5.00
8	Wheat & Barley (Min of Agriculture)	N.M.C.	36.47	50.00
	Sub-Total:		**100.56**	**135.00**
TURKEY				
1	Iron Ore and Coal (Erdemir)	M.C./N.M.C.	11.97	15.00
2	Raw Material for Paint & Paper (Yasar)	N.M.C.	7.74	10.00
3	Aluminum T-Bar/Ingots (Assan Demir)	M.C./N.M.C.	10.64	14.00
4	Iron & Steel Scrap (Kaptan Demir)	M.C./N.M.C.	7.55	10.00
5	Crude Oil and Products (AK Bank)	M.C.	18.66	25.00
6	Stainless Steel Sheets (Oztiryakiler)	N.M.C.	4.49	6.00
7	Iron & Steel Scrap (Yazici)	N.M.C.	11.24	15.00
8	Steel Scrap (Habas)	N.M.C.	10.96	15.00
	Sub-Total:		**83.26**	**110.00**
UNITED ARAB EMIRATES				
1	Fuel Oil (FAL Oil Co.)		18.88	25.00
2	Gas Oil (FAL Oil Co.)		7.51	10.00
	Sub-Total:		**26.39**	35.00
	Total:		**1,060.35**	**1,400.00**

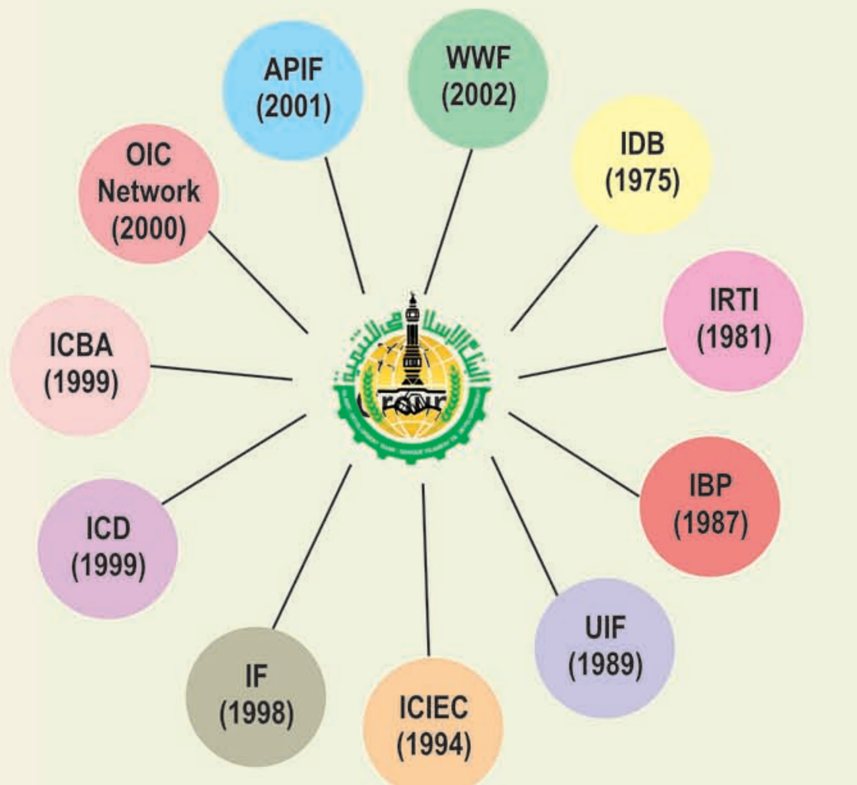
ANNEX 4C
EFS APPROVALS BY COUNTRY IN 1423H

(Amount in million)

	Commodity	Importing Country	Amount Approved	
			ID	US$
EGYPT				
1	4th Line (Arab Banking Corp)		4.00	5.00
2	5th Line (Arab African International Bank)		3.04	4.00
	Sub-Total:		**7.04**	**9.00**
INDONESIA				
1	1st Line (Bank Ekapor Indonesia)		4.34	6.00
	Sub-Total:		**4.34**	**6.00**
JORDAN				
1	Fertiliser (Jordan Phosphate & Mines Co.)	Pakistan	4.33	5.70
	Sub-Total:		**4.33**	**5.70**
KUWAIT				
1	2nd Line (Al-Ahli Bank)		13.90	18.00
2	3rd Line (Gulf Bank)		15.07	20.00
3	4th Line (BKME)		15.20	20.00
	Sub-Total:		**44.17**	**58.00**
LIBYA				
1	Reinforced Iron (Libyan Iron & Steel Co.)	Tunisia	5.22	6.90
	Sub-Total:		**5.22**	**6.90**
LEBANON				
1	Telephone Cables (Liban Cables)	Algeria	10.13	13.00
2	Telephone Cables (Liban Cables)	Algeria	3.21	4.27
	Sub-Total:		**13.34**	**17.27**
MOROCCO				
1	1st Line (WAFA Bank)		15.44	20.00
	Sub-Total:		**15.44**	**20.00**
PAKISTAN				
1	1st Line (National Bank of Pakistan)		14.56	20.00
	Sub-Total:		**14.56**	**20.00**
SAUDI ARABIA				
1	Ductile Iron Pipes (Amiantit)	Iran	6.71	8.84
	Sub-Total:		**6.71**	**8.84**
TUNISIA				
1	Granular Phosphate Fertiliser (GCT)	Iran	2.89	3.69
2	1st Line (Amen Bank)		3.79	5.00
3	School Books (Societe Imprimerie Beta)	Senegal	2.13	2.80
	Sub-Total:		**8.81**	**11.49**
TURKEY				
1	Fibre Optic Cables (Eta Kablo)	Algeria	8.37	11.00
2	3rd Line (Turk Exim Bank)		15.10	20.00
	Sub-Total:		**23.47**	**31.00**
UNITED ARAB EMIRATES				
1	Fuel Oil (FAL Oil Ltd)	Pakistan	11.11	14.00
2	Aluminum Wire Rods (Trans Gulf)	Algeria	3.03	4.00
3	Petroleum Products (FAL Oil Ltd.)	Yemen	11.07	15.00
	Sub-Total:		**25.21**	**33.00**
	Total:		**172.68**	**227.20**

Chapter 5

Activities of Affiliated Entities and Funds

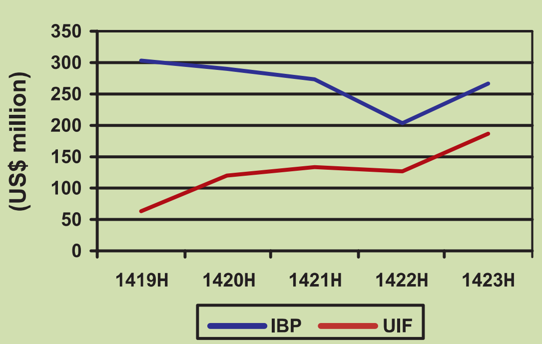


Grain Silos in Iran. The IDB has provided US$ 28.6 million
by way of istisna a and Installment Sale.

HIGHLIGHTS 1423H

- IBP Approvals: US$267.9 million
- UIF Approvals: US$188.3 million
- Infrastructure Fund EquityCommitments: US$730.5 million
- ICD Approvals: US$60.5 million
- Total ICIEC Commitments till 1423H: US$265 million
- IRTI
  - Seminars and conferences: 12
  - Research papers: 8
  - Training Programmes: 24
- Adahi Project Animals Sacrificed: 629.7 thousand
- ICBA: 10 research and development projects under implementation
- APIF: Total operations financed till 1423H: US$16.7 million
- World Waqf Foundation: Several activities planned/undertaken

IBP AND UIF NET OPERATIONS



The IDB member countries have diverse financing needs. They are spread in different regions and vary in terms of levels of economic development and social progress. The emerging global challenges of development also require the multilateral institutions to find new ways and means to respond to those challenges and adjust their financing priorities accordingly. In this context, the IDB has developed different institutions and schemes with a view to enhancing its capabilities of addressing to the development needs.

Over time, the IDB has evolved into a group, which includes various entities having separate charters and independent accounts. The Bank has also established a number of specific funds that act as catalyst to mobilise additional resources and support the Bank in performing its auxiliary functions such as providing training facilities to personnel engaged in development activities, undertaking research in Islamic economics, banking and finance, and participating in special projects such as Kingdom of Saudi Arabia s Sacrificial Meat Utilization Project. All these funds, entities, and institutions reinforce the role of the bank as a group.

This chapter presents a summary of activities of the specific funds operated and undertaken by the IDB as well as different entities and institutions affiliated with the IDB. Further details of these activities are available in the Annual Reports of respective institutions, which are issued separately. The institutions covered in the chapter include the following:

- The Islamic Banks Portfolio for Investment and Development (IBP).
- The IDB Unit Investment Fund[1].
- The IDB Infrastructure Fund.
- The Islamic Corporation for the Development of Private Sector (ICD).
- The Islamic Corporation for Insurance of Investment and Export Credit (ICIEC).
- The Islamic Research and Training Institute (IRTI).
- The IDB Sacrificial Meat Utilization Project of the Kingdom of Saudi Arabia (popularly known as Adahi Project).
- The World Waqf Foundation; the Awqaf Property Investment Fund.
- The International Centre for Biosaline Agriculture, Dubai, UAE.

[1]The Islamic Banks Portfolio (IBP), the Unit Investment Fund (UIF) and the Awqaf Properties Investment Fund (APIF) are now parts of the newly created Asset Management Department.

- The OIC Networks SDN BHD, in Malaysia.

I. ISLAMIC BANKS PORTFOLIO FOR INVESTMENT AND DEVELOPMENT

The Islamic Development Bank established the Islamic Banks Portfolio for Investment and Development" (IBP) with the participation of a number of Islamic financial institutions. The IBP was instituted on 27th Rajab 1407H (27th March 1987). It mobilized funds from the IDB and other Islamic banks to be utilised in promotion of investment and trade amongst member countries and to serve as a nucleus for the development of the Islamic financial market. The initial life of the Portfolio is 25 years, after which it may be dissolved or renewed.

The IDB administers the IBP as a 'Mudarib' (Manager) through its Assets Management Department (AMD). By the end of 1423H, twenty Islamic banks and financial institutions were shareholding members of the IBP, including the IDB[2]. The assets and liabilities of the Portfolio are separate from those of the IDB and its annual accounts are also separately audited.

The IBP has a fixed paid-up capital of US$100 million and a variable capital of US$280 million. In addition, it has access to funds of US$300 million placed by the IDB as a specific deposit. The unit of account for the IBP is the US dollar and its financing is oriented towards (but not exclusively confined to) the private sector in IDB member countries.

During 1423H, the IBP approved a total of 21 operations, amounting to US$267.85 million ID195.51 million. Of this amount, US$182.25 million was for trade finance (Table 5.1). From 1408H to the end of 1423H, the IBP approved a net amount of US$3.01 billion, of which around US$1.95 billion was for trade financing (see Murabaha figures in Table 5.2). Leasing and Installment Sale were the two major modes of financing used by IBP to finance project. The total number of operations (including cancelled operations) processed by the IBP during the same period stood at 237, while the number of operations net of cancellation was 195 (see Annex 5A).

TABLE 5.1
LIST OF IBP OPERATIONS APPROVED DURING 1423H

(Amount in million)

	Project	Country	Mode of Financing	ID	US$
1.	Basic Food Commodities, Min. of Supply	Egypt	Murabaha	14.60	20
2.	Import Sugar, Ahmad Hamad Algosaibi & Bros.	Saudi Arabia	Murabaha	7.30	10
3.	Import Petroleum, MPNR through PARCO	Pakistan	Murabaha	8.03	11
4.	Import Petroleum, MPNR through PARCO	Pakistan	Murabaha	8.03	11
5.	Import Petroleum, MPNR through PARCO	Pakistan	Murabaha	5.84	8
6.	Medical Equipments, Beirut Govt. Univ. Hospital	Lebanon	Installment Sale	27.23	37.3
7.	Malaysian Govt, Global Sukuk Issue, through HSBC	Malaysia	Investment	7.30	10
8.	Apparel Ind. Gals Tekstil Konf. End. Ve Tic.	Turkey	Murabaha	0.73	1
9.	Importation of Wheat, Min. of supply	Egypt	Murabaha	10.95	15
10.	Import of Fuel Oil, Govt. of Lebanon through CDR	Lebanon	Murabaha	17.52	24
11.	Urea Fertilizer, B desh Chem. Ind. Ind. Corp. (BCIC)	Bangladesh	Murabaha	18.98	26
12.	Dev. of Office Tower-2 Doha	Qatar	Installment Sale	3.36	4.6
13.	Dev. of Al Khan Residential Bldg. Sharjah	UAE	Leasing	0.73	1
14.	Import Wheat Min. of Supply	Egypt	Murabaha	18.25	25
15.	3rd Stage Irrigation Project, Buyuk Menderes	Turkey	Installment Sale	21.17	29
16.	Import of Raw Materials, STIP Tunisia	Tunisia	Murabaha	0.91	1.25
17.	Vestel Dayanuki Tuketim Mallaru Pazarlama	Turkey	Murabaha	14.60	20
18.	Dev. of Waqf Bldg. Project Madinah Research Centre	Saudi Arabia	Leasing	1.24	1.7
19.	GSM Equipment and Supplies, Turkcell Ilet.	Turkey	Murabaha	3.65	5
20.	Importation of Crude Oil fvr Pertamina	Indonesia	Murabaha	3.65	5
21.	5th Issue of Islamic Ijara Sukuk, BMA	Bahrain	Investment	1.46	2
	Total			**195.5**	**267.85**

II. IDB UNIT INVESTMENT FUND

The IDB Unit Investment Fund (UIF) was established in 1410H (1989) under Article 23 of the Articles of Agreement of the Bank. The main objectives in the establishment of the Fund are: to mobilize resources for the IDB and to provide a Shari'ah compatible investment opportunity to investors. The Fund has emerged as an asset class investment with features of good return, safety and liquidity.

[2]Member institutions of the IBP are 1. Islamic Development Bank; 2. Al-Baraka Islamic Bank, Bahrain; 3. Kuwait Finance House; 4 Faisal Islamic Bank of Bahrain; 5. Qatar Islamic Bank; 6.Faisal Islamic Bank of Egypt; 7. Qatar International Islamic Bank; 8. Islamic International Bank for Investment & Development, Cairo; 9. Dubai Islamic Bank; 10. Al-Baraka Investment Co., London; 11. Jordan Islamic Bank for Finance & Investment; 12. Nasser Social Bank, Cairo; 13. Bahrain Islamic Bank; 14. Al-Baraka Turkish Finance House, Istanbul; 15. Al-Baraka Islamic Bank, Mauritania; 16. Beit Ettamwil Saudi Tunsi (BEST), Tunis ; 17. Tadamon Islamic Bank, Sudan; 18. Islamic Co-operative Department Bank, Sudan;p 19. Sudanese Islamic Bank; 20. Shamil Bank (Bahrain).

TABLE 5.2
IBP OPERATIONS BY MODE OF FINANCING SINCE INCEPTION[1]

(Amount in US$ million)

Year	Musharakah	Murabaha	Leasing	Installment Sale	Investment	Equity	Istisna a	Total
1408H-1413H	0	297.73	100	0	24.0	90.0	0	421.73
1414H	0	179.8	0	0.5	0	0	0	180.3
1415H	0	175.3	115.0	0	0	0	0	290.3
1416H	0	187.5	12.2	0	8.5	0	0	208.2
1417H	0	206.5	57.44	0	3.0	5.0	0	271.94
1418H	0	234.2	58.24	0	7.5	0	0	299.94
1419H	41.93	103.1	100.0	0	56.0	1.2	0	302.23
1420H	0	106.5	127.98	0	50.0	0	5.0	289.48
1421H	0	190.08	97.77	2.0	0	0	0	271.85
1422H	0	83.0	104.75	0	15	0	0	202.75
1423H	0	182.25	2.7	70.9	12	0	0	267.85
Total	**41.93**	**1945.96**	**678.08**	**73.4**	**176**	**96.2**	**5.0**	**3006.57**

Notes: 1. Net of cancellations.

Over the 13 years of its existence, the size of the Fund has grown from US$100 million to US$325 million held by 24 institutional investors from 11 member and non-member countries. The Fund was listed on the Bahrain Stock Exchange on 2nd January 1997. The listing has enhanced the liquidity by making it possible to trade the Fund's units at any time without the need of applying to the Islamic Development Bank for repurchase. The currency used in financing under UIF is the US dollar.

The UIF extends its financing facilities through various Islamic modes of financing. Depending on the mode, the maturities of financing vary from 5-10 years for medium and long-term financing respectively and 6-24 months for short term financing.

During its thirteen years of operations (1410H-1423H), gross direct financing, co-financing and syndicated financing approved by the UIF reached 129 operations for an aggregate amount of US$1.2 billion (Table 5.3).

In 1423H, the UIF approved 16 operations, amounting to ID137.5 million (US$188.3 million). These included 15 co-financed operations amounting to ID133.9 million (US$183.3 million) and one direct operation for ID3.65 million (US$5.0 million). The total participation of UIF in the financing amounted to ID63.6 million (US$87.0 million) see Annex 5.B for list of UIF operations approved in 1423H. Disbursements on these operations for the year amounted to US$111.48 million, representing 59.2 percent of total approvals.

TABLE 5.3
GROSS UNIT INVESTMENT FUND APPROVALS BY FINANCING ARRANGEMENTS SINCE INCEPTION 1410H-1423H

(Amount in US$ million)

Type of Operations	Number of Operations	Amount
Direct Financing	40	336.33
Co-financing	48	552.25
Syndicated Financing	41	306.95
Total	**129**	**1195.53**

The UIF employs a number of financing techniques in its financial operations. The breakdown of its financing operations since inception by modes of financing is given in Table 5.4 provides necessary details about the operations approved during the year under reporting. Annex 5.A shows financing by country.

TABLE 5.4
THE UNIT INVESTMENT FUNDS OPERATIONS BY MODE OF FINANCING SINCE INCEPTION[1]

(Amount in million)

Year	Leasing	Installment Sale	Istisna a	Murabah	Equity	Investment[2]	Total
1408H-1413H	1.45	11.66	0.00	8.04	0.00	0.00	21.15
1414H	9.70	6.08	0.00	3.54	0.00	0.00	19.32
1415H	26.35	0.00	0.00	20.39	1.12	0.00	47.87
1416H	13.28	12.95	7.62	22.51	2.08	0.00	58.43
1417H	60.54	10.77	0.00	17.92	0.00	0.00	89.23
1418H	36.50	6.97	5.00	35.21	0.00	0.00	83.68
1419H	17.18	11.05	4.63	12.97	0.00	0.00	45.84
1420H	37.82	22.28	15.63	14.11	0.00	0.00	89.84
1421H	2.43	16.15	11.82	74.86	0.00	0.00	105.26
1422H	52.19	0.00	11.95	35.46	0.00	0.00	99.60
1423H	0.00	24.31	0.00	70.80	3.65	38.69	137.45
Total (ID million)	**257.44**	**122.22**	**56.65**	**315.81**	**6.85**	**38.69**	**797.67**
Total (US$ million)	**351.19**	**166.36**	**75.95**	**425.95**	**9.76**	**53.00**	**1081.34**

Note: 1. Net of cancellations. 2. Investment in Sukuk, which was introduced in 2002.

III. IDB INFRASTRUCTURE FUND

The IDB Infrastructure Fund is the first private investment vehicle of its kind to focus on infrastructure development in 54 member countries of the Islamic Development Bank. The Fund has been established in the State of Bahrain. The two functional arms of the Fund, namely the Policy Management Company (PMC) and the Emerging Markets Partnership (EMP), have also been established in the State of Bahrain under a special Amiri Decree granting them special status as exempt companies with limited liability. The Policy Management Company with majority shareholding (51%) of IDB is responsible for policy-setting, monitoring and performance evaluation of the Fund Manager. The EMP - Bahrain has been appointed as the Manager of the Fund and is majority owned by EMP Washington. The EMP - Bahrain has established an Asia Regional Office of the Fund in Brunei Darussalam.

The Fund is a limited partnership with Equity Capital targeted at US$1.0 billion and Complementary Finance Facility (CFF) of US$500 million. It also aims at constituting a Syndication Group of US$1-2 billion for the CFF. The CFF will be deployed only in conjunction with the Equity Capital.

The Fund Manager has been mandated to use its best efforts to employ Islamic financing techniques in every project where it makes an equity investment. The CFF is designed to complement equity investments with the provision of additional financing using Islamic modes of financing. It is also intended that the CFF will be used to help develop new financing modes and techniques to extend the range and maturity profile of Shariah-compatible financial instruments. The Fund seeks to establish relationship with Islamic banks and other financial institutions to create a large syndicate that will be approached on a project-by-project basis to participate in financing the projects in which the Fund makes an equity investment. The syndicate would attract additional funding over and above the funds available from the CFF.

An ancillary offshoot of the operations of the Fund will be to help stimulate the development of regional capital markets. While seeking to exit from its equity investments in infrastructure projects through public offering, the Fund will obtain listing on the stock exchange of the host country. This might be accompanied by listing on one or more regional or international exchanges. In view of the large size of infrastructure projects, such listings will serve to expand the capital markets of the regions and promote the development of Islamic stock index of member countries. The entities in which the Fund invests would also promote Islamic financial instruments, besides their listing and trading in secondary markets.

Objectives

The strategic objectives of the Fund are to seek long-term capital appreciation by making equity and equity-related investments in infrastructure projects and infrastructure-related industries in IDB member countries and promote the use of Islamic finance in infrastructure projects. Being a private sector Fund, it will not seek guarantees and will rely mainly on the market tools of risk mitigation, competitive pricing and yield maximization. The Fund aims to achieve a targeted return of 18 per cent per annum exclusive of all fees and costs, on its equity investments over its ten-year life.

Fund's Investors

The first closing of the IDB-Infrastructure Fund took place on 6 December 2001. The institutions representing the existing investors of the Fund together with the amounts committed by each investor are listed in Table 5.5.

In order to solicit further commitments, marketing efforts are underway with various potential investors in member countries. The final closing date of the Fund has been re-scheduled by six months to 6 June 2003.

Sectoral Focus

The main focus of the Fund's investments will be in the major infrastructure sectors such as power generation, telecommunication, transportation, energy, natural resources, petrochemicals, water and other infrastructure-related sectors, including private Islamic financial and capital markets institutions.

Investment Criteria of the Fund

To be eligible for investment by the Fund, a project should have a high priority for the country in which it is located. In addition, the following requirements should be met:

- The Fund will not seek to be a majority investor, with generally no more than 40% shareholding.
- The project should have a competent technical partner with a substantial equity investment.
- The project should have a strong, reputable local partner from the private sector.
- The minimum Equity Investment by the Fund should be US$ 10 million with a maximum investment of US$ 100 million, or 10% of the Fund's Equity Commitment.
- The Fund will usually require a seat on the Board of Directors of the invested companies or project Boards.
- The project sponsors (other than the Fund) should be able to provide assurances that construction will be completed on time and within budget.
- The project should be protected, to the extent possible, from the impacts of inflation, foreign exchange adjustments and inconvertibility.
- Equity investment in the project should have a clear exit strategy.

TABLE 5.5
DISTRIBUTION OF THE INFRASTRUCTURE FUND BY INVESTOR

(Amount in US$ million)

Investor	Equity	CFF	SPP	Total
Islamic Development Bank	100.0	100.0	50.0	250.0
Dar Al-Maal Al-Islami Trust	100.0	100.0	-	200.0
Brunei Investment Authority, Sultanate of Brunei	300.0	-	-	300.0
Saudi Pension Fund, Kingdom of Saudi Arabia	100.0	-	-	100.0
Pension Fund, Kingdom of Bahrain	100.0	-	-	100.0
Lembaga Tabung Haji, Malaysia	30.0	-	-	30.0
EMP-Bahrain	0.5	-	-	0.5
Total	**730.5**	**200.0**	**50.0**	**980.5**

CFF: Complementary Finance Facility
SPP: Special Projects Pool to be used in companies that are hundred percent financed by Shariah-compatible modes of financing.

Investment Activities of the Fund

Since its 1st closing on December 6, 2001, the Fund has built-up a credible pipeline of a wide variety of projects in different infrastructure sectors with estimated projects cost ranging from US$6.1 to

US$7.8 billion. Of this, the Fund is considering to make investments in the equity of the projects ranging from US$665 to US$765 million. At this level, the project-pipeline provides sufficient scope to commit the entire equity component of the Fund firmed up to its 1st closing. Table 5.6 gives the breakdown of the project-pipeline of the Fund.

TABLE 5.6
PROJECT-PIPELINE OF THE IDB-INFRASTRUCTURE FUND

(Amount in US$ million)

Sl. No.	Sector	Region	No. of Projects	Project Size (Estimated)	Fund s Equity Investment (Proposed)
1.	Power	Asia, Middle East & North Africa	5	3,000-4,000	250-300
2.	Petrochemical	Middle East	6	2,600-3,200	300-350
3.	Transportation	South East Asia & North Africa	1	200	10
4.	Steel	South East Asia & Middle East	3	200-250	55
5.	Islamic Insurance	South East Asia-PAN Islamic	1	150-200	50
	Total		**16**	**6,150-7,850**	**665-765**

Up to now, the Fund Manager has submitted eight Concept Papers for equity investment in an amount of US$369 million by the Fund. Of this, three proposals for equity investment of US$208 million have been approved for investment after detailed appraisal and are in various stages of legal documentation leading to disbursements.

IV. ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT (ICIEC)

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established in 1415 H (1994) with the objective to enlarge the scope of trade transactions and investment flows among the member countries of the Organisation of Islamic Conference (OIC). The ICIEC has adopted a mission statement which states, "To be insurance provider/ partner of choice for exporters and investor, and export credit/ investment insurance agencies in member countries, offering competitively priced, comprehensive, and innovative Shari'ah compatible export credit and investment insurance and re-insurance to beneficiaries."

IDB owns 50 per cent of the ID 100 million of Corporation's capital, while the remaining 50 per cent are available for subscription for member countries of the OIC. So far 30 countries have joined ICIEC membership, while other countries are at various stages of the membership process.

ICIEC offers three main types of services:

- Export Credit Insurance to cover the risk of non-payment in relation with cross border trade transactions.
- Investment Insurance to cover country risk in the context of Investments among member countries.
- Reinsurance of operations covered by ECAs in member countries.

The ICIEC adopted the following strategy and objectives for the year 1423 H:

1. Adoption of an indirect marketing strategy, whereby the Corporation will endeavour to act as a wholesaler of insurance services, leaving the direct selling to local agents and export credit insurance agencies in the respective member countries.
2. Introduction of new products tailored to the needs of the market, and in line with the changes in ICIEC s Articles of Agreement.
3. Introduction of limited investment promotion services for the member countries in collaboration with the IDB and other relevant international agencies.
4. Continuation of the development of technical and information system, and human resources of the Corporation to keep abreast of the latest developments in the relevant fields.
5. Formation of an alliance with an experienced international institution to obtain technical assistance, training and re-insurance to benefit from the best practices in the industry.
6. Introduction of a periodic review of the departmental performance based on the performance criteria, operational targets, and action plan for the year.

As of the end of the Year 1423H, the total number of policies in force stood at 70 and the current commitment reached US$265 million. The Corporation's exposure at the end of 1423H amounted to US$126 million.

During 1423H, ICIEC paid claims for a total amount of US$4.72 million and recovered an amount of US$1.02 million from claims paid in the previous years.

Full information on ICIEC's activities is available in ICIEC's Annual Report published separately.

V. ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD)

The Islamic Corporation for the Development of the Private Sector (ICD) came into being in Rajab 1420H (November 1999) as an independent entity within the IDB Group. The mission of the ICD is to complement the role played by the IDB through the development and promotion of the private sector as a vehicle for economic growth and prosperity in member countries.

The main objectives of the ICD are:

- To identify opportunities in the private sector that could function as engines of growth.
- To provide a wide range of Shari'ah compatible financial products and services.
- To expand access to Islamic capital markets by private companies in IDB member countries.

The authorized capital of the ICD is US$1.0 billion, of which US$500 million is available for subscription; US$ 263.4 million are already paid-in. The structure of the subscribed capital is as follows: Islamic Development Bank, 50 percent; member countries, 30 percent; and public financial institutions in the member countries, 20 percent.

The ICD provides its clients with a wide variety of financial products such as direct financing, asset management, structured financing and advisory services. The ICD utilizes Shari'ah compatible modes of financing/financial products, such as equity, term financing (leasing, installment sale and Istisna'a), and quasi-equity in the form of term financing convertible into equity at some stage of the project life. The currency used in financing under the ICD is the US dollar.

The inaugural meeting of the General Assembly of the ICD was held on 6 Rabi' Thani 1421H and it has been operational since then. As of the end of 1423H, 45 countries had signed the Articles of Agreement establishing the ICD, out of which 37 have already ratified the agreement.

During 1423H, the Board of Directors approved 11 projects amounting to US$60.47 million, an increase of 71 per cent in the volume of approval over the previous year. The types of operations undertaken during 1423H were equity investment, leasing, and installment sale. Projects approved in 1423H pertain to the sectors of telecommunications, private health care, agro-business, and manufacturing.

During 1423H, ICD participated in selected seminars in member countries and, being a rather new institution, undertook a number of steps to introduce itself in the market. It has also started to identify strategic partners with which it intends to co-operate in the future. Since inception, the ICD has provided a total financing of US$132.97 million. It uses a variety of financing techniques such as equity participation, Murabaha, installment sale, leasing, Istisna a, etc. The ICD financing since its inception by different modes of financing is given in Table 5.7. A more detailed account of ICD's operations for the last three years is presented in ICD's Annual Report, published separately.

TABLE 5.7
ICD FINANCING PORTFOLIO BY MODES OF FINANCING FROM 1421H TO 1423H

(Amount in US$ million)

Year	Equity		Murabaha		Installment Sale		Leasing		Istisna a		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1421H	2	12.60	1	0.46	1	1.44	2	20.00	1	0.80	7	35.30
1422H	2	12.30	0	0.00	1	7.50	2	17.40	0	0.00	5	37.20
1423H	3	19.90	0	0.00	4	19.50	3	17.60	1	3.47	11	60.47
Total	**7**	**44.80**	**1**	**0.46**	**6**	**28.44**	**7**	**55.00**	**2**	**4.27**	**23**	**132.97**

VI. AWQAF PROPERTIES INVESTMENT FUND

The Islamic Development Bank established the Awqaf Properties Investment Fund (APIF) with the objective to promote the role of Awqaf and revive the Waqf *Sunna* to regain its function as an effective tool in the economic, social and cultural development of the Islamic society, by developing, investing in and managing Awqaf real estate properties in member and non-member countries of the IDB.

The Fund was launched, pursuant to the decision taken at the sixth Awqaf Ministerial Meeting held in Jakarta, Indonesia, on 28 Jumad Thani 1418H (29 October 1997), in accordance with a Memorandum of Understanding signed between the Islamic Development Bank and nine participants on 9/11/1421H (3/2/2001). An approved capital of US$51 million was subscribed. Further requests for participation were received and the capital base of the Fund was increased in 1423H to US$55 million.

During the first year (18 months) of operation till the end of 1423H, the Fund has maintained its focus on consolidating its strategy and building up its pipeline of potential investments. Its pipeline of projects has been built up to more than 50 projects at different stages of readiness, in both member and non-member countries.

Since inception and till the end of 1423H seven projects amounting to US$16.7 million were approved for Indonesia, Kuwait, Malaysia, Saudi Arabia and United Arab Emirates (Table 5.8).

TABLE 5.8
LIST OF OPERATIONS APPROVED FOR APIF UP TO 30 DHUL HIJJAH 1423H*

(Amount in US$ million)

Sl. No.	Project Name	Country	Mode of Financing	Amount Approved
1.	Constr. of Awqaf Comm. Bldg.	UAE	I/Sale	1.00
2.	High Rise Awqaf Comm. Ctr.	Kuwait	I/Sale	1.00
3.	Extention of Awqaf Comm. Complex	Kuwait	I/Sale	1.00
4.	Malaysian Govt. Global Sukuk Issue, thru HSBC	Malaysia	Ijara Sukuk	5.00
5.	Dev. of Al-Khan Residential Bldg. Sharjah	UAE	Leasing	3.00
6.	Dev. of Awqaf Bldg. Proj. Madinah Research. Ctr.	KSA	Leasing	3.70
7.	Importation of Crude Oil fvr Pertamina	Indonesia	Murabaha	2.00
	Total			16.7

* Three operations amounting to US$12.33 approved on the first day of 1424H have not been included in this table and will appear in the next year Annual Report.

VII. WORLD WAQF FOUNDATION

The Islamic Development Bank established the World Waqf Foundation to achieve the following objectives:

- Boost the IDB's efforts to promote Waqf,
- Support Waqf to enhance the economic and social development of Muslim communities and alleviate poverty,
- Satisfy the aspiration of philanthropists and charity organisations all over the world to set up an international Waqf entity,
- Manage Waqf properties entrusted to the Foundation for safekeeping, and investment, and spending their proceeds in accordance with the Shariah.

The Foundation under the direction of a Board is composed of individual donors (*Waqifs*) with at least a Waqf contribution worth one million US dollars. The Board is the general assembly and elects a Board of Trustees, which is the Foundation's board of executive directors. The Foundation operates worldwide in accordance with its by-laws, which were adopted by the IDB's Board of Executive Directors at its 204th session held in Jumad II 1422H (September 2001).

The Islamic Development Bank has allocated a sum of 25 million US dollars as an initial Waqf contribution to the Foundation's resources. The proceeds of the contribution shall be utilised to fund education in India.

The Foundation's Executive Committee composed of the President of the IDB and a number of specialists within and outside the Bank, held 18 meetings in 1423H to consider several issues.

A summary of the Foundation's major activities in 1423H is given below:

- A promotional meeting, designed to popularise the Foundation, was held on 17 Safar 1423H (30 April 2002). Over 47 personalities and bodies attended it from the Arab world. In a bid to introduce itself, the Foundation engaged in a dialogue with some chambers of commerce and industry to jointly organise seminars aimed at popularising the Foundation at the adquarters of the said chambers. Some others step to introduce the Foundation in different member countries are also underway.

- A consultative meeting was held on 11 Rajab 1423H (18 September 2002) to consider the Foundation s ten-year strategy. A number of experts on Awqaf, donors and officials of the Islamic Development Bank participated in this meeting to consider the draft strategy paper, which will be presented to the Board of Donors (Waqifs).
- Another consultative meeting with public authorities that are stakeholders in Waqf was also organized. Since the Foundation is eager to cooperate with other institutions, it invited to this meeting the General Secretariat of the Conference of Ministers of Waqf and Islamic Affairs, the General Secretariat of Waqf Organizations of Kuwait and the Islamic Research and Training Institute (IRTI). These three institutions are not only concerned with Waqf matters, but also share programmes that are jointly implemented to provide services in all IDB member countries and Muslim communities in non-member countries. The meeting made a number of recommendations aimed at strengthening cooperation and complementarity in the area of Waqf.
- Since the Foundation is in its early stages of development, its Executive Committee has started to evolve a series of work regulations, which will be submitted to the competent bodies of the Foundation for approval. These regulations cover the relations between the Foundation and its shareholders and donors, as well as the rules and regulations relating to the annual plan and budget estimates.

In a bid to implement the strategy based on concrete projects that would help popularise the Foundation and attract contributions to it, the executive body has started designing projects such as the "Africa Waqf Charity" in line with the Ouagadougou Declaration, which was issued at the 27th IDB Board of Governors meeting held in Ouagadougou, Burkina Faso.

VIII. ISLAMIC RESEARCH AND TRAINING INSTITUTE

The Islamic Research and Training Institute (IRTI), established in 1401H(1981G), has continued to undertake research, training and information service in member countries and Muslim communities in non-member countries to help bring economic, financial and banking activities into conformity with *Shari'ah* and to further promote economic development of cooperation among these parties.

IRTI's activities are described in detail in its Annual Report, which is issued separately. Main highlights of the activities in 1423H are described below.

Research:

IRTI's research activities aim at organizing and conducting basic and applied research with a view to developing models and methods for the application of *Shari'ah* in the fields of economics, banking and finance. It also aims to develop personnel capabilities in Islamic economics to meet the research and training needs of *Shari'ah* observing agencies. IRTI's research output takes various forms, such as in-house research papers, background and discussion papers, seminar proceedings, books of readings, lectures, translations and articles published in IRTI journal. During 1423H, eight in-house research works covering various aspects of Islamic banking were initiated.

IRTI has also completed editing of the following seminar proceedings:

1. Selected Case Studies on Management of Awqaf Properties in Muslim Countries and Communities (Selected Proceedings of Five Seminars on Awqaf Experiences held jointly with Kuwait Awqaf Public Foundation).
2. Proceedings of the Workshop on Monetary and Fiscal Policy, Damascus, Syria.
3. Proceedings of the Seminar on Regulation and Supervision of Islamic Banks, Sudan.
4. Proceedings of the Seminar on Islamic Financial Industry, Alexandria, Egypt.

IRTI is also responsible for supplying major research input for publication in Islamic Economic Studies, a bi-annual journal published in Arabic, English and French. Two issues of the journal in both Arabic and English were brought out in 1423H.

Seminars and Conferences: During 1423H, IRTI organized 12 seminars and conferences. Seminar topics and other related information are summarized in Table 5.9.

TABLE 5.9
SEMINARS AND CONFERENCES HELD DURING 1423H

No.	Activity	Collaborating Institution	Venue
1	Income generating seminar on Documentation of Islamic Banking Products	Institute of Islamic Banking and Insurance, U.K	U.K.
2	Islamic Modes of Finance	-	Congo, Brazzaville
3	Third Workshop on Curriculum and Syllabus Development in Islamic Economics	Eman University of Yemen	IDB Headquarters
4	Workshop on Issues of Awqaf, jointly with Kuwait Awqaf Public Foundation	Saleh Kamel Centre	Egypt
5	Consultation Meeting on Misunderstandings Raised on Islam in the Western Media	Centre for Research and Political Studies, Cairo University	Egypt
6	Council for Handling the Project on Challenge of Doubts on the Qura n	-	IDB Headquarters
7	Seminar on Awqaf Experiences in Algeria, Egypt, Sudan and Yemen	Saheh Kamel Centre, Al-Azhar University	Egypt
8	Executive Seminar on Islamic Banking	The Islamic Foundation	UK
9	Oxfort Banking Forum	Oxford Banking Forum	IDB Headquarters
10	Seminar on Islamic Banking in Rome	Arab-Italian Chamber of Commerce	Italy
11	Workshop on Model IT Strategy	-	IDB Headquarters
12	Consultative Meeting on Promoting Zakah & Awqaf in West and Sub-Saharian African Countries	-	Senegal

Training:

The IRTI organized 24 training programs during 1423H, covering mainly macroeconomic management, Islamic economics, banking and finance, information technology, human resource management. Details of these training programs are presented in Table 5.10.

Task Force on Training:

Of the above mentioned training programs, IRTI co-sponsored three programs with OIC-affiliated institutions, such as Islamic University of Technology (IUT), Islamic Chamber of Trade and Industry (ICTI), Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC) and the Islamic Centre for Development of Trade (ICDT), Casablanca. These training programs were held within the framework of the "Task Force on Training, set up to implement the resolutions of the Eight OIC Summit on The Preparation of the Ummah for 21st Century.

Information:

During 1423H, the IRTI carried out the following activities in the area of Information Systems and Technology:

Islamic Banks & Financial Institutions Information System (IBIS)

The objective of this project is to develop an information system in the field of Islamic Banking. The system provides services such as, statistical data, financial profiles and profit and loss accounts of Islamic banks to interested users in the field of Islamic banking. The information is made available to prospective clientele to help in the promotion of Islamic banking and research activities.

The first release of the system was a bilingual (Arabic/English) Information System that was produced on a CD-ROM and distributed at the 23rd Annual Meeting of IDB held in Cotonou, Republic of Benin in November 1998. Currently, IRTI is negotiating with the external consultant to receive the final version of the system as a website for access through the Internet.

IDB Database on Experts

This project aims at facilitating the building of a global database of experts and scientists around the world in various fields. This would reduce the cost of locating competent consultancy services to all IDB member countries. The first release of the system was produced on a CD-ROM and distributed during the Science & Technology Workshop conducted jointly by IIFTIHAR and IRTI at Jakarta, Indonesia on 7-8 May 1999.

Trade Information & Promotion System (TIPSys)

The primary objective of this project is to maximise co-operation between exporters, importers and

TABLE 5.10
IRTI TRAINING PROGRAMMES DURING 1423H

No.	Courses/Workshops	Country
1	Industrial Preparation, Evaluation & Application of COMFAR	Egypt
2	Awqf Management	Yemen
3	Privatisation Techniques	Kyrgyz Republic
4	Build, Operate and Transfer	Saudi Arabia
5	Zakah Management	Pakistan
6	Role of Development Banking in a Transition Economy with Focus on Islamic Banking	Russia
7	Entrepreneurship Development	Bangladesh
8	Environmental Impact Assessment on Development Project	Libya
9	Risk of Financing in Islamic Banks	Sudan
10	Human Resources Development	Pakistan
11	Shariah Principles for Internal Auditing of Islamic Banks	Jordan
12	B.O.T.	Sudan
13	Promotion and Financing of Micro Enterprises	Senegal
14	Environmental Impact Assessment on Development Projects	Azerbaijan
15	Economics for Shariah Scholars	Egypt
16	Seminar on Awqaf Experiences in Arab Countries	Egypt
17	Seminar on Awqaf and its Contemporary Applications	Mauritania
18	The Advisory Committee on Zakah and Awqaf	IDB Headquarters
19	Regulations of Islamic Banks	Kuwait
20	Consultative Meeting on Promoting Zakah & Awqaf Institutions in West & Sub-Saharan African Countries	Mauritania
21	Accounting, Auditing and Governance Standards for Islamic Financial Institutions	
Training Courses within the Framework of Task Force on Training		
22	Workshop on Geographic Information System and Remote Sensing	Turkey
23	Information Technology	Iran
24	Digital Communication Technology	Bangladesh

investors in Member Countries by providing them with the means of managing and exchanging trade information and increase awareness on business opportunities as well as cost effective ways to become quickly acquainted with each other through the Internet. Thus the project will establish communication among exporters, importers and investors, and enable them to initiate deals regarding sales and purchases. The IDB has approved the implementation of TIPSys by OICNetworks within the portal of OICtrade developed by them.

Model IT Strategy

IDB has entrusted IRTI with the task to develop a Model Information Technology Strategy for IDB member countries. This strategy would provide a guideline on the developments and directions of member countries in applying their national information technology strategies as a fundamental development tool. A consulting company from Malaysia, MSC Technology Centre carried out the development of the strategy. The strategy is currently undergoing final processing prior to its presentation to the member countries.

Awqaf Databank

IRTI is undertaking this project in collaboration with the Kuwait Awqaf Public Foundation (KAPF).

First Arab Conference on Industrial Information and Networks

The First Arab Conference on Industrial Information and Networks was held in Dubai, UAE on 15-17 December 2002, jointly with the Arab Industrial Development and Mining Organisation, Ministry of Finance and Industry, UAE and the Dubai Chamber of Commerce and Industry. IRTI presented a paper on "The Model IT Strategy for IDB Member Countries" to the Conference.

Other Activities of IRTI

Encouragement and Promotion Program: During 1423H, as in previous years, IRTI processed a number of requests within this programme. Grants were awarded to various individuals and institutions for undertaking different activities in Islamic economics, banking and finance. A number of institutions approached IRTI to translate some of IRTI works into other languages. Necessary permission was given to two institutions to translate some of IRTI's research works into Thai and Indonesian languages. IRTI's publications were sent to many scholars free of charge as a part of the effort to encourage research in Islamic economics, banking and finance. IRTI is also supporting two students who are preparing their M.A degrees on the subject of Islamic banking, through the International Banking program of the University of Loughborough, UK. IRTI is in the process of expanding this program to evolve a scheme that would provide partial financial and technical support to those students who pursue their studies at the doctoral level in the areas of Islamic economics, banking and finance.

The IDB Prize: The IDB Prize for 1422H in the area of Islamic banking was jointly awarded to Al Haj Saeed Ben Ahmad Ben Lootah (UAE) and Professor John Presley (UK). The awards ceremony was held at the 27th Annual Meeting of the IDB Board of Governors held in Burkina Faso.

IDB Prize Lecture: During 1423H two lectures in this series were delivered by Dr. Monzer Kahf and Dr. Hasanuzzaman, who were the joint winners of the IDB Prize in Islamic economics in 1421H.

IRTI Shari'ah Lectures: Under this program, eminent Shari'ah scholars are invited to deliver lectures on Shari'ah subjects of significant importance for future development of Islamic economics, banking and finance. During 1423H two lectures were organized under this program. Sheikh Al Siddiq Mohammad Amin Al Dareer delivered a lecture on Compensation for the Letters of Guarantee. Dr. Eissa Zaki Eissa, Shari'ah Advisor to the Kuwait Awqaf Public Foundation lectured on Waqf Fund as a Model of Islamic Cooperative Insurance.

Visiting Scholars Scheme: Under this scheme eminent visiting scholars are invited to work on a specified and approved project. During 1423H, the eminent Islamic scholar Prof. Mohammad Nejatullah Siddiqi was invited to spend six months at IRTI and produce a book on Riba.

IX. INTERNATIONAL CENTER FOR BIO SALINE AGRICULTURE (ICBA)

The International Centre for Biosaline Agriculture (ICBA or Centre) was established Jumad 1, 1420H (September 1999), near Dubai in the United Arab Emirates, to develop and promote the use of sustainable agricultural systems that use saline water to grow forages, field crops, vegetables, fruit and trees.

During 1423H, there was a major growth in ICBA's research and development activities in biosaline agriculture as well as in its outreach programs, capacity building, communication, networking and resource mobilization.

During 1423H, ICBA continued the work on ten research projects on sustainable production systems for biosaline agriculture. These were:

1. Evaluation of salinity tolerance, growth, yield-potential and forage quality of 42 cultivars of pearl millet under field conditions.
2. Screening for salinity tolerance among selected pearl millet accessions.
3. Screening for salinity tolerance among selected sorghum accessions.
4. Investigation of 10 elite UAE date palm varieties for salt-tolerance in collaboration with the Ministry of Agriculture and Fisheries, United Arab Emirates.
5. Mass screening of halophytes.
6. Studies on water use and salt balance of halophytic species.
7. Sustainable utilization of saline groundwater and

wastelands for plant production in collaboration with the International Atomic Energy Agency (IAEA) and the Ministry of Agriculture and Fisheries, United Arab Emirates.

8. Evaluation of irrigation practices and fertilizer requirements for optimising productivity of three indigenous grass species in collaboration with the International Centre for Agricultural Research in the Dry Areas - Arabian Peninsula Research Program (ICARDA-APRP).
9. Plant genetic resources: acquisition, collection and conservation.
10. Seed increase of salt-tolerant germplasm.

Preliminary results show good potential for many of the plants investigated, both as feed and food within biosaline agriculture production systems.

The Centre also started two new projects. These are:

1. Optimising management practices for maximum production of two salt-tolerant grasses: *Sporobolus virginicis* and *Distichlis spicata*.
2. Optimising management practices for maximum production of three *Atriplex* species (*Atriplex halimus*, *A. nummularia*, *A. lentiformis*) under high salinity levels.

In addition, the Centre undertook the following outreach and consultancy projects in 1423H:

1. Demonstration of biosaline agriculture to Petroleum Development Oman (PDO) at Nimr, Sultanate of Oman.
2. Managing salinity and waterlogging in coastal agricultural areas in Abu Dhabi, for Abu Dhabi Municipality.
3. Development and submission of germplasm description of unique *Salicornia* species produced by BEHAR (Arabian Saline Water Technology Company Limited).
4. Assessment of saline water resources in the West Asia North Africa (WANA) Region, on behalf of the International Fund for Agricultural Development (IFAD).
5. Increasing biodiversity of mangrove species in the UAE: Introduction and adaptation of new species, in collaboration with the Environmental Research and Wildlife Development Agency (ERWDA), United Arab Emirates.
6. Application of biosaline agriculture in a demonstration farm in the northern emirates of the United Arab Emirates, in collaboration with the Ministry of Agriculture and Fisheries.

The ICBA Training Centre and Auditorium was completed in Dhu’l-hijjah 1422H (March 2002). The Centre conducted three training courses on irrigation management techniques on sustainable production systems for biosaline agriculture, agro-ecological surveys and germ plasma collection, in 1423H.

Sponsorship from the OPEC Fund for International Development and the International Atomic Energy Agency enabled over 100 trainees from 25 least developed IDB-member countries to attend ICBA training courses, up from 48 participants from three countries in 1422H.

During 1423H, the Centre conducted two workshops on marginal waters in conjunction with international conferences in Dubai. The first workshop, organized at the request of the Zayed International Prize for the Environment, was a technical session on ’Marginal Waters’ as part of the International Conference on Water Management in the Third Millennium, Dubai, 20-24 Dhu’l-Qa’ada 1422H (2-6 February 2002). The second was a one-day workshop on ’Sustainable utilization of saline groundwater and wastelands for plant production’ at the request of the International Atomic Energy Agency, held on 9 Muharram 1423H (23 March 2003).

The Centre also organized a seminar at the Abu Dhabi Chamber of Commerce and Industry on 16 Dhu’l-hijjah 1423H (17 February 2003) and presented three papers on ’Techniques of biosaline agriculture in the arid zones’

ICBA signed four Memoranda of Understanding with national and international organizations, including the International Atomic Energy Agency (IAEA), Desert Research Council (DRC), Egypt, United Arab Emirates University (UAEU) and Bangladesh Agricultural Research Institute (BARI).

The Centre has opened a satellite office in Abu Dhabi in Sha’aban 1423H (October 2002). The office will serve initially as a liaison with government and non-government organizations in the Emirate of Abu Dhabi.

During 1423H, ICBA received support from different international, regional and host-country organizations. The OPEC Fund for International Development provided funds to support attendance of participants from least developed IDB member countries at training courses. The grant included funds to develop the web-based Global Salinity Network. Further funds for training, exchange of scientific personnel and workshops were provided by the International Atomic Energy Agency (IAEA). The Arab Fund provided a grant of US$0.9 million to assist ICBA to complete the irrigation and drainage facilities of 35 hectares. The irrigated experimental area at ICBA headquarters is crucial for implementing projects and this grant will allow ICBA to increase the number of its research and development activities. The IFAD also provided ICBA a grant to assess saline water resources in five countries in West Asia and North Africa. Furthermore, the Abu Dhabi Municipality, Petroleum Development, Oman, and BEHAR awarded consultancies projects to ICBA during the year for investigative research on different aspects of biosaline agriculture.

X. OIC NETWORKS SDN BHD (OIC NETWORKS)

The OICnetworks Sdn Bhd (OICnetworks) was incorporated in Muharram 1421H (April 2000) as a joint-venture company comprising the IDB and the MIMOS Bhd of Malaysia. IDB currently holds a 51 per cent share in the company. The mission of OICnetworks is to become a global internet working company stimulating the growth and development of the OIC member countries as well as the Ummah globally.

Both IDB and MIMOS have pledged a total investment of US$14.5 million over a period of 4 years. The present amount of authorized and paid-up capital of the company is US$2.6 million.

The Company is presently responsible to implement two main programs namely OIC exchange and OIC trade.

OIC Exchange

OICexchange.com was launched in Jumad Awwal 1422H (August 2001). It is a community portal designed with the aim to provide information and services to the OIC member countries. This portal covers a range of topics of interest, such as business and trade, government, education and lifestyle. It also provides such useful tools as e-mail, discussion forums and e-greetings.

As of the end of the year 1423H, OICexchange has a total of 6,000 subscription-free members and 30,000 newsletter subscription members.

OICexchange operated a booth during the ‘Islamic Capital Market Week’ exhibition, which was held during 12 -16 Muharram 1423H (15-19 March 2003) in Kuala Lumpur, Malaysia. About 1,000 participants attended the exhibition. The Security Commission of Malaysia (the organiser) allocated the booth free of charge, in exchange for a banner and a promotional article placed in the OICexchange portal.

OIC Trade

OICtrade was set up on Sha’aban 1422H. It is a programme initiated with the main objective to enhance and facilitate trading between buyers and sellers, especially within the OIC market, via the Internet platform.

In the year 1423H, the Company focused into building the technology foundation, people skills, business and processes culminating in the launching of the portal on 18th Shawwal 1423H during the 9th Islamic Trade Fair in Sharjah, UAE.

OIC trade is a platform, which is also supported by its physical network of Country Representatives. Presently, the OICtrade is actively marketed by its Country Representatives in Malaysia, Indonesia, Bahrain and Saudi Arabia.

The following are the major events related to OICtrade occurring during 1423H:

- OICtrade was officially launched on 18 Shawwal 1423H during the 9th Islamic Trade Fair, the Secretary General of the Islamic Chamber of Commerce and Industry, a sub-organisation of the OIC.
- OICnetworks was selected to be part of an official Malaysian delegation to Morocco, Libya and Bahrain to promote Malaysian products and companies to these countries. The selection was motivated by the efforts that OICnetworks made in promoting OICtrade to OIC member countries, including Malaysia. The delegation had the opportunity to identify several candidates to become OICtrade Country Representatives for Morocco, Libya and Bahrain.

- The OICnetworks also organised an OICtrade Workshop on 26 Muharram 1423H in Kuala Lumpur. In addition to OICtrade, presentations on trade opportunities were delivered by the officials of various embassies (Morocco, Iran and Indonesia). About 60 participants including 40 major Malaysian companies attended the one-day-workshop.
- The OICtrade participated in the 9th Islamic Trade Fair in Sharjah and the 9th Close Session, UAE from 16-21 Shawwal 1423H. The event attracted more than 25,000 visitors from all the OIC member countries. The OIC trade put up a booth at the fair and also made a presentation at the close session.

XI. THE IDB SACRIFICIAL MEAT UTILIZATION PROJECT OF THE KINGDOM OF SAUDI ARABIA

The Sacrificial Meat Utilization Project of the Kingdom of Saudi Arabia lies outside the normal range of IDB operations. The Saudi Government nevertheless, assigned the project to the IDB, which implements it with due respect on account of its significance for member countries and the Muslim communities in non-member countries. The project serves Hajj pilgrims by performing the slaughter and related services on their behalf. It oversees the utilization of the sacrificial meat in accordance with established religious norms. The meat is distributed to the needy in member countries and to Muslim communities in non-member countries. Information about the Sacrificial Meat Project and its objectives is widely disseminated through pamphlets, booklets, and posters, which are published in large numbers and in nine languages every year.

In 1423H, the total number of sacrifices carried out was 629,700, comprising the slaughter of sheep, cows and camels. Of these, 377,700 were distributed locally amongst the poor and needy of the Haram area in Makkah Al Mukarramah, while 252,000 carcasses were distributed outside the Kingdom. The distribution of meat in different countries from 1419H to 1422H and planned distribution for 1423H is shown in Table 5.11.

TABLE 5.11
DISTRIBUTION OF SACRIFICIAL MEAT DURING HAJJ SEASON FROM 1419H-1423H

Sl. No.	Country	1419H	1420H	1421H	1422H	1423H Planned
1	Albania	10.000	-	-	-	
2	Azerbaijan	2.500	2.500	5,000	5,000	5,000
3	Bangladesh	57.000	57.000	69,000	59,000	59,000
4	Bosnia	10.000	10.000	-	-	-
5	Burkina Faso	5.000	-	2,500	2,500	2,500
6	Chad	5.000	5.000	5.000	5,000	5,000
7	Comoros	3,000	3,000	3,000	3,000	3,000
8	Djibouti	7,000	7,000	7,000	7,000	7,000
9	Egypt	27,000	30,000	-	-	-
10	Ghana	-	-	500	500	500
11	Guinea Bissau	-	5,000	5,000	-	5,000
12	Guinea Conakry	7,500	5,500	5,000	5,000	5,000
13	Iran	-	-	20,000	-	-
14	Jordan	20,000	20,000	20,000	20,000	20,000
15	Lebanon	15,000	15,000	15,000	15,000	35,000
16	Mali	5,000	-	2,500	2,500	2,500
17	Mauritania	10,000	10,000	10,000	10,000	10,000
18	Mozambique	4,000	4,000	4,000	4,000	4,000
19	Niger	5,000	-	2,500	2,500	2,500
20	Pakistan	20,000	20,000	10,000	10,000	10,000
21	Palestine	10,000	10,000	-	1,800	30,000
22	Senegal	10,000	10,000	10,000	10,000	10,000
23	Sierra Leone	7,000	5,000	5,000	5,000	5,000
24	Sudan	20,000	20,000	18,000	10,000	10,000
25	Syria	10,000	10,000	10,000	10,000	10,000
26	Tanzania	6,000	6,000	3,000	6,000	6,000
27	The Gambia	6,000	5,000	5,000	5,000	5,000
	Sub-total	**282,000**	**260,000**	**237,000**	**198,800**	**252,000**
	Poor of Haram	192,925	155,369	380,671	413,922	377,700
	Grand-total	**474,925**	**415,369**	**617,671**	**612,722**	**629,700**

TABLE 5.A
TOTAL OPERATIONS APPROVED BY THE ISLAMIC BANKS PORTFOLIO AND IDB UNIT INVESTMENT FUND BY COUNTRY

(Amount in US$ million)

Sl. No.	Member Countries	IBP		Sl. No.	Member Countries	UIF	
		No. of Operations	Amount			No. of Operations	Total Amount**
1	Algeria	6	39.30	1	Algeria	13	108.24
2	Bahrain	22	115.00	2	Bahrain	05	30.00
3	Bangladesh	4	63.50	3	Bangladesh	05	61.70
4	Bosnia	1	1.21	4	Bosnia	-	-
5	Brunei	1	25.00	5	Brunei	1	15.00
5	Egypt	14	314.29	6	Egypt	7	71.18
6	Indonesia	2	52.50	7	Indonesia	2	25.00
7	Iraq	1	1.50				
8	Iran	9	62.50	8	Iran	13	145.75
9	Jordan	3	46.74	9	Jordan	1	5.95
10	Kuwait	2	100.00	10	Kuwait	4	32.00
11	Kazakhstan	1	2.00				
12	Lebanon	4	83.74	11	Lebanon	5	51.96
13	Libya	-	-	12	Libya	1	16.67
14	Malaysia	3	114.50	13	Malaysia	2	46.76
15	Morocco	9	103.90	14	Morocco	1	8.58
16	Oman	-	-	15	Oman	1	15.00
17	Pakistan	39	1155.69	16	Pakistan	30	251.02
18	Qatar	1	4.60	17	Qatar	2	25.00
19	Saudi Arabia	16	225.65	18	Saudi Arabia	4	38.52
20	Sudan	5	32.50	19	Sudan	1	5.00
21	Tunisia	7	9.40	20	Tunisia	3	10.00
22	Turkey	37	344.55	21	Turkey	18	104.99
23	UAE	2	3.00	22	UAE	2	13.02
24	Uganda	1	0.93				
25	IDB Special Programme	5	105.00				
	Total	**195**	**3006.57**			**121**	**1081.34**

* Figure are net of cancellations.
** Includes the total of direct, syndicated and co-financed operations.

ANNEX 5.B
OPERATIONS APPROVED BY UNIT INVESTMENT FUND (UIF) DURING 1423H

(Amount in US$ million)

Sl. No.	Project/Operations	Beneficiary Country	Mode of Financing	Amount Approved
1.	Basic Food Commodities	Egypt	Co-financing (Murabaha)	5.00
2.	Import of Sugar	Saudi Arabia	Co-financing (Murabaha)	5.00
3.	Import of Petroleum	Pakistan	Co-financing (Murabaha)	19.00
4.	Import of Petroleum	Pakistan	Co-financing (Murabaha)	19.00
5.	Import of Petroleum	Pakistan	Co-financing (Murabaha)	12.00
6.	Medical Equipment	Lebanon	Co-financing (Murabaha)	8.30
7.	Malaysian Government Global Sukuk Issue	Malaysia	Co-financing (Ijara Sukuk)	45.00
8.	Apparel Ind. Gals Tekstil Knof. End. Ve Tic.	Turkey	Co-financing (Murabaha)	4.00
9.	Import of Wheat	Egypt	Co-financing (Murabaha)	5.00
10.	Urea Fertilizer	Bangladesh	Synd. Trade (Murabaha)	15.00
11.	Development of Office Tower	Qatar	Co-financing (Murabaha)	10.00
12.	Irrigation Project	Turkey	Co-financing (Murabaha)	15.00
13.	Import of Raw Materials	Tunisia	Co-financing (Murabaha)	3.00
14.	Liquidity Management Centre (LMC)	Bahrain	Direct Financing (Equity)	5.00
15.	Import of Crude Oil	Indonesia	Co-financing (Murabaha)	10.00
16.	The Fifth Issue of Islamic Ijara Sukuk	Bahrain	Co-financing (Ijara Sukuk)	8.00
	Total			**188.3**

PART III

Administration and Finance


PORT OF MAKASSAR
JAKARTA

Chapter 6

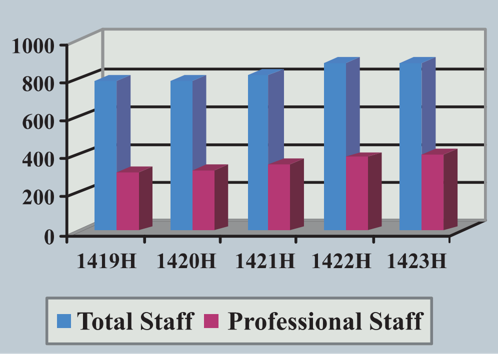
Administrative and Corporate Affairs

Water Treatment Plant in Uganda. The IDB has provided a loan of US$ 5.6 million.

HIGHLIGHTS 1423H

- 27th Meeting of the Board of Governors in Ouagadougou, Burkina Faso
- Membership of the Bank: 54
- Agenda items considered by the BED: 408
- New BED members elected
- Total Staff: 878
- Professional Staff: 405
- Number of staff trained: 637
- Young Professionals Joined: 8

IDB STAFF PROFILE



I. IDB MEMBERSHIP

The membership of the Islamic Development Bank, at the time of its inauguration in 1395H was twenty-two countries. By the end of the year, membership grew to fifty-four countries. Unlike other multilateral development banks, the membership structure of IDB is unique as all its member countries are developing countries, with 22 of them classified as least developed according to the UN. On this account IDB is often viewed as a good example of the South-South cooperation.

II. THE BOARD OF GOVERNORS

The 27th Annual Meeting of the Board of Governors was held at Ouaga 2000 Center, Burkina Faso on 16-17 Sha'baan 1423H (22-23 October 2002) under the patronage of His Excellency Blaise Compaore, President of Burkina Faso.

H.E. Blaise Compaore, in an inspiring speech before the opening session at Salle des Banquets, expressed warm appreciation for the exemplary work of the Bank in promoting sustainable development in member countries. He expressed that the 27th Annual Meeting would serve as a moment to reflect on a strategic partnership with member countries and institutions of regional cooperation. He acknowledged that the quantity and quality of actions of the Islamic Development Bank is, without exaggeration, a real cause for satisfaction and pride. He assured the continued support of the Government of Burkina Faso in ensuring a dynamic partnership between the Bank and member countries.

H. E. Seydou Bouda, Chairman of the Board of Governors and IDB Governor for Burkina Faso, in his opening speech commended the pioneering role of the Islamic Development Bank in fostering economic development and social progress among member countries and Muslim communities in non-member countries.

He expressed hope that the meeting would pave the way for better cooperation among member countries, strengthen institutional capacities and negotiations with a view to promoting partnership vis a vis matters concerning the World Trade Organization. He further called upon member countries to continue lending support to the efforts made by the IDB for the promotion of intra-trade.

H.E. Mr. Simon Compaore, Mayor of Ouagadougou, also took the floor at the opening session. He paid tribute to the various institutions constituting the IDB Group for their invaluable and multifarious contributions towards the development of member countries particularly the least developed. He hoped that the Ouagadougou meeting would further strengthen the determination and commitment of the IDB Group to strive for a more sustainable and equitable human development.

H.E. Dr Ahmad Mohamed Ali, President, IDB, in his opening address expressed profound thanks to H.E. Blaise Compaore, President of Burkina Faso, for gracing the occasion with his presence. He also presented an overview of the close cooperation that exists with Burkina Faso which was among the first countries to join the Bank. He briefly reviewed the performance of the IDB for the year 1422H and other matters related to its activities.

The President stated that since its inception, the Bank has played a vital role in the development of Africa. Financing of around US$9.3 billion, has been utilized for the construction of more than 6,000 km of roads, 3,700 wells for drinking water, more than 3,300 class rooms, irrigation of more than half a million hectares of agricultural land, and more than 200 health centers. He also detailed various programs that are underway to assist African member countries.

Outlining the development of the IDB Group, the President said 11 different institutions within the group have come together to satisfy the growing and diverse needs of member countries and Muslim communities in non-member countries. The accumulated net financing provided by the Group so far stands at more than US$28 billion. The President concluded his speech by seeking the guidance of member countries for the Bank in its future activities, especially under the different conditions and challenges besetting the Ummah.

The Procedures Committee, appointed by the Board of Governors at its Twenty-Sixth Annual Meeting in Algiers, Algeria, held a meeting. It considered the draft agenda of the Board of Governors which was recommended by the Board of Executive Directors and submitted its report on the schedule of the meeting and other matters.

The Board of Governors adopted the agenda and the report of the Procedures Committee. It also considered the 1422H Annual Report submitted by the Board of Executive Directors, commended the role of the Bank in meeting the emerging needs of member countries and offered valuable suggestions on various aspects of its activities and operations.

The Board approved: (a) the Audited Financial Statements of Accounts of the Bank for the Year 1422H (2001-2002), (b) the transfer of balance on the Profit and Loss Account as of the end of the Financial Year 1422H (2001-2002) to the General Reserve, (c) the Audited Statement of Accounts of the Waqf Fund for 1422H (2001-2002), (d) the Audited Statement of Accounts of the Export Financing Scheme for 1422H (2001-2002), (e) the Audited Statement of Accounts of the Islamic Banks’ Portfolio and (f) the Audited Statements of Accounts of the IDB Unit Investment Fund for the Year 2001.

A major decision of the Board was the allocation of US$5 million for financing technical assistance operations in the form of grants for the year 1424H.

The Board of Governors also adopted the Declaration on IDB Group Cooperation with Africa and directed the Board of Executive Directors to make all necessary arrangements to implement the provisions of the Declaration.

The Board elected the IDB Governor of the Republic of Kazakhstan as Chairman of the Board of Governors for the 1423-1424H (2002-2003) Session. It also elected the IDB Governor of the Republic of Chad and the IDB Governor of the Republic of Tunisia as Vice Chairmen of the 1423H/1424H Session. The Governors from Burkina Faso, Republic of Benin, Republic of Turkey and the Kingdom of Bahrain were appointed members of the Procedures Committee for the 28th Annual Meeting.

The following two symposia were held in conjunction with the Annual Meeting:

1. Women in Poverty Alleviation: Better Access to Education and Micro Finance.
2. The New Partnership for African Development (NEPAD).

At the closing session, the Chairman of the Board of Governors presented the IDB Prize in Islamic Banking and the newly constituted IDB Prize in Science and Technology. Prizes for the design of a primary model school in the African Sahel were also presented to two

Meeting of the Board of Executive Directors

consulting firms from Senegal and Niger and to an architect from Mexico.

III. ELECTION OF EXECUTIVE DIRECTORS

The election of Executive Directors was conducted on 16 Sha'baan 1423H (22 October 2002) in accordance with the provisions of the Articles of Agreement and the Regulations for the Election of Executive Directors of the Islamic Development Bank. Since the number of nominations were equal to the number of Executive Directors to be elected, seven nominees were elected unopposed as members of the Board of Executive Directors of the Bank for the 10th term of office which started on 16 Dhul Qada 1423H (19 January 2003). There are seven permanent members nominated by their member countries who make up largest share holders. The Board is now constituted as follows:

1. Hon. Ahmad Bin Hj. Hashim, Malaysia
   Representing:
   Brunei Darussalam, Indonesia, Malaysia, Suriname
2. Hon. Abdulaziz Nur Hersi, Somalia
   Representing:
   Comoros, Guinea Bissau, Sudan, Sierra Leone, Uganda, Guinea, Morocco, Somalia, Tunisia
3. Hon. Mohamed Ali Taleb, Bahrain
   Representing:
   Bahrain, Iraq, Lebanon, Oman, Djibouti, Jordan, Maldives
4. Hon. Dr. Zul-Kifl Salami, Benin
   Representing:
   Algeria, Benin, Mozambique, Syria, Palestine, Yemen
5. Hon. Ould Samba Achour (Mauritania)
   Representing
   Burkina Faso, Cameroon, Gambia, Mauritania, Senegal, Chad, Gabon, Mali, Niger, Togo
6. Hon. Selim Jafar Karatash, Turkey
   Representing:
   Turkey
7. Hon. Mohammad Azzaroog Rajab, Libya
   Representing:
   Libya
8. Hon. Ilgar Veysal Oglu Isayev, Azerbaijan
   Representing:
   Albania, Azerbaijan, Kazakhstan, Kyrgyz, Tajikistan, Turkmenistan
9. Hon. Dr. Mehdi Karbasian, Iran
   Representing:
   Iran
10. Hon. Ibrahim Mohamed Al-Mofleh, Saudi Arabia,
    Representing:
    Saudi Arabia
11. Hon. Zeinhom Zahran, Egypt
    Representing:
    Egypt
12. Hon. Faisal Abdul Aziz Al-Zamil, Kuwait
    Representing:
    Kuwait
13. Hon. Dr. Waqar Masood Khan, Pakistan
    Representing:
    Afghanistan, Bangladesh, Pakistan
14. Hon. Jamal Nasser Rashid Lootah, UAE
    Representing:
    United Arab Emirates

IV. ACTIVITIES OF THE BOARD OF EXECUTIVE DIRECTORS

The Board of Executive Directors (BED) held seven meetings during 1423H (March 2002 - March 2003). In addition, a number of Executive Directors participated in various other meetings such as the Standing, Special, and Ad-hoc Committees of the BED during the year. Table 6.1 summarizes the subject categories considered by the Board during 1423H. Box 6.1 highlights the major policy decisions taken during 1423H.

In 1423H, the Bank approved operations totalling about ID2.34 billion (US$3.08 billion). These were in support of 106 projects, 26 technical assistance operations, 125 trade operations and 38 Waqf Fund (Special Assistance) operations. Details of each of these operations are given in Chapters 3 and 4.

To facilitate its work, the Board of Executive Directors established a number of standing, special and ad-hoc committees which were authorized to assess subjects within their terms of reference and in some cases to make decisions on behalf of the Board.

(i) Standing Committees

The Standing Committees of the Board are:

1. Finance and Administrative Committee
2. Export Financing Scheme Committee
3. Audit Committee

Finance and Administrative Committee: This Committee held six meetings and helped the Board decide matters relating to funds and the financial management of the Bank, including conducting a quarterly review of financial reports. It assessed and recommended approval by the Board of the annual plans and programs which formed the basis for the preparation of the administrative budget. It also made recommendations to the Board on the Bank's general administrative and personnel policy.

Export Financing Scheme Committee: This Committee held one meeting and recommended for the Board's approval the EFS Operations Plans and Administrative Budget as well as the Countrywise allocations of the EFS resources. It also considered the

TABLE 6.1
BUSINESS TRANSACTED BY THE BOARD OF EXECUTIVE DIRECTORS DURING 1423H

Date of Board Meeting	Number of BED Meetings	Trade Financing	Project Financing	Waqf Fund Operations	Policy Items	Other Items	AMD Items	Follow-up Reports	Items for Information	No. of Agenda Items	Resolutions Adopted
Safar 22-23, 1423H May 5-6, 2002	207	-	11	3	9	6	3	4	24	60	26
R. Awwal 28-29, 1423H 9-10 June 2002	208	-	11	-	4	5	1	3	21	45	17
J. Awwal 11-12, 1423H July 21-22, 2002	209	-	5	8	9	11	-	4	11	48	21
Rajab 1-2, 1423H September 8-9, 2002	210	-	10	3	9	5	2	4	20	53	22
Sha baan 14-15, 1423H October 20-21, 2002	211	1	8	5	6	8	-	4	24	56	22
Shawwal 18-19, 1423H December 22-23, 2002	212	-	12	5	24**	9	-	6	28	84	37
D. Hijjah 29-30, 1423H March 2-3, 2003	213	-	19	6	6	11	1	3	16	62	33
Total:	**7**	**1***	**76**	**30**	**67**	**55**	**7**	**28**	**144**	**408**	**178**

*These figures represent only the Trade Financing and UIF/EFS operations submitted to the B.E.D. for approval as these were beyond the financing limit delegated by the B.E.D. to the President, IDB, for approval of Trade Financing and UIF/EFS operations. All the other Trade Financing and UIF/EFS operations approved by the President, IDB, within the delegated authority, and thereafter submitted to the B.E.D. for information, are covered in the column "Items for Information."

** Consisting of 15 Policy and 9 budget items.

Box 6.1
Major policy decisions taken by the IDB Board of Executive Directors in 1423H

- Approval of the recommendations of the IDB's Advisory Board on Science & Technology to enhance the catalytic role of the Bank in S&T for sustainable development and to support the establishment of OIC Science Fund under the umbrella of COMSTECH to be contributed by public and private sectors of OIC member countries.
- Diversification of Bank's financing and disbursements into other major currencies other than US Dollars to meet the needs of the member countries.
- Denomination of Trade Operations in Islamic Dinars and in other major currencies of the SDR basket of currencies.
- Revision of exposure limits for Trade Financing Operations for IDB member countries.
- Consolidated policy for emergency assistance that could be provided under IDB financing facilities to member countries in emergency situations.
- Financial restructuring of three Islamic Banks in West Africa.
- Participation of IDB in the Islamic Financial Services Board (IFSB).
- MOU between IDB & Islamic Republic of Iran on the issuance of Iranian Sukuk and launching of closed-end mutual fund.
- Guidelines for Invitations for Hosting the Meetings of the IDB Board of Executive Directors.
- Revision of the Country Exposure Guidelines for IDB, IDB-Group Financing Operations.
- Increase in the Capital of Awqaf Property Investment Fund.
- Rescheduling modality to deliver shortfall in debt relief and the assistance to Cameroon, Niger.
- Gambia, Mauritania and Chad under HIPC Debt Initiative.

report on the performance and status of the EFS for 1423H.

Audit Committee: The Audit Committee held 5 meetings during which it reviewed the efforts to enhance the Bank's internal controls environment, management of liquid assets, risk management function, and provided its support of those efforts by strengthening the departments responsible for those functions.

The committee also reviewed the financial statements and the Management Letter with the external auditors, the annual report of the Internal Audit Office, implementation of its audit recommendations, its annual work program, the reports of the Operation Evaluation Office, Equity Portfolio, and Operations Portfolio Status.

Other issues considered by the Committee included: (a) reports on the efficient implementation and utilization of the Information Strategy Plan (ISP) project, (b) a concept paper on the future of IDB Trade Financing Operations and proposed alternatives, (c) consideration and finalization of Declaration on IDB Cooperation with Africa, (d) review of the activities, (e) operations strategy and budget of the International Centre for Biosaline Agriculture; (f) the status of the Bank's investments following the events of September 11th 2001 (g) a status report on the Bank's investment in IIBU-UBK and IIG and other companies (h) follow-reports on IDB Infrastructure Fund and IDB Sukuk (i) a report on the role of IDB Regional Offices.

(ii) Special Committees

The following special committees of the Board of Executive Directors met as required within the framework of their respective terms of reference:

The terms of reference of these special committees are as follows:

The Executive Committee of the Islamic Banks Portfolio: This Committee establishes policies and guidelines for the Islamic Banks' Portfolio for Investment and Development, approves operations within the powers delegated to it and recommends other operations for the Board's consideration.

The Executive Committee of the IDB Unit Investment Fund: This Committee provides guidance on policy matters affecting the operations of the Fund and its overall management and administration.

The General Committee of the IDB Scholarship Program for Muslim Communities in Non-member Countries: This Committee guides and supervises the implementation of the Scholarship Program which is aimed at uplifting the socio-economic conditions of Muslim minorities. The Committee submits an annual report on its performance to the Board.

The Committee for the IDB Merit Scholarship Program for Member Countries: This Committee advises on general policy and supervises the implementation of the IDB Merit Scholarship Program which is aimed at developing technically qualified manpower in member countries by providing scholarships to promising outstanding scholars and researchers in subject areas related to the development of member countries.

The Board Sub-Committee on the Annual Report: This Committee finalizes the Annual Report on behalf of the Board.

The Pension Committee: This Committee decides all matters of general policy falling under the IDB Staff Retirement Plan and establishes rules, policies and procedures for the overall administration and implementation of the Plan.

The Pension Investment Committee: This Committee determines and directs the management and investment of the Pension Fund subject to the supervision and control of the Pension Committee.

The Pension Administration Committee: This Committee administers the Staff Retirement Plan and maintains its accounts subject to the supervision and control of the Pension Committee.

V. ORGANIZATIONAL REVIEW

The Steering Committee and the Task Force which were established earlier to deliberate upon the future directions of the IDB group, completed their report which was discussed within the group and subsequently submitted to the Board of Executive Directors. A Symposium on this subject is expected to be conducted in due course to discuss future orientations of the group.

The IDB Group Forum

The IDB Group Forum, which was established to consider matters concerning Group strategic framework, policies and procedures, organisational plans and matters, etc. held 8 meetings during 1423H. It discussed several important subjects such as the Group Corporate Governance, Group Coordination Guidelines and Procedures, Public Information Policy, IDB Group Records Management, ICD Operations and Prospects, ICIEC Medium Term Strategic Direction and Business Plan, ICD-5 years Plan and Financial Resources, and IDB Group Web Site.

Organisational Structure

The organisational structure of the Bank has undergone several changes during the year. This includes the renaming of:

- The Vice Presidency (F&A) as Vice Presidency (Corporate Resources and Services) to emphasize the management of the group resources and services.
- The reorganisation and renaming of the Operations & Projects Departments as Country Operations Departments (COD). Each COD includes a Program Division, an Infrastructure & Finance Division and a Poverty Reduction Division.
- The reorganisation and renaming of the Risk Management & Control Unit as Risk Management & Control Office.

An IDB Group Management Committee was established to review and coordinate the general policies, strategies, plans and programmes of the IDB Group members. In addition, they will discuss and exchange views on Bank Group issues and consider important issues not dealt with by standing committees of the Bank Group.

A Knowledge Management and Distance Learning Steering Committee was established to advise on policies to promote knowledge exchange within the Bank Group and recommend incentives for staff to participate in knowledge exchange and communities of practice in addition to considering and approving proposals for knowledge exchange, knowledge management, and distance learning related activities.

Shariah Committee of the IDB

The Shariah Committee of the IDB was established by virtue of a decision by the BED in its Meeting No. 198 held in Jeddah on 24 Zul Qa’dah 1421H (18 February 2001). It is composed of six imminent Shariah scholars with wide experience on Islamic economics and banking practices. Its functions and Terms of Reference can be summarized as follows:

❖ Studying and reviewing all transactions and banking products executed by the Bank for the first time in order to indicate their compatibility with Shariah and establishing the fundamental principles of the legal formation of their contracts and documents.

- Indicate the Shariah point of view regarding Islamic alternatives of the conventional products which the IDB intends to apply, and establishing the fundamental principles of the formation of their contracts and documents.
- Respond to questions, inquiries and explanations of the BED or Management of the Bank on Shariah-compatibility aspects of the Bank's operations.
- Contribute to the IDB programmes aiming at the development of the Islamic banking awareness of its staff members and enhancing their understanding of the basis, principles and provisions of Islamic finance.
- Preparation of a comprehensive annual report to be presented to the BED indicating the compliance of the DIB with the rules and regulations of Shariah in according with the views and the directives made in the process of reviewing the Bank's financial transactions.

Records and Documents Management

The Bank is currently implementing the three-year Integrated Research and Documents Management System (IRDMS) aimed at developing an electronic document environment and preparing for the transition from paper to an electronic records system. Once completed, it will subsequently change the document processing and storage in addition to introducing full content management and knowledge sharing.

The IRDMS which was prepared by an internal consultant was approved at the 207th Session of the Board of Executive Directors. A solution provider is being appointed for turnkey implementation of the project.

The progress achieved in this area during the period under report is as follows:

- Extensive study on the Bank Group requirements undertaken in full consideration with the I.T. Department,
- Created a common document Website on the intranet for easy access to documents,
- Converted the archive of Board of Executive Directors documents into digitized micro-film,
- Completed the scanning and indexing of all Administrative Instructions,
- Scanning and indexing of the documents of the Board of Governors under completion.

A Distance Learning Arrangement

A Distance Learning Centre was established at the headquarters of the Bank equipped with state-of-art technology and equipment to allow 22 participants in video conferesing programme or distance learning courses.

The classroom is linked to the Global Development Learning Network (GDLN) of the World Bank Group to access the wide range of courses provided by the World Bank Institute as well as the other distance learning institutes.

The purpose of the Distance Learning Classroom is to provide a cost-effective facility for IDB staff to benefit from a wide range of training opportunities, which are currently made available through high-speed telecommunication networks by various international institutions and centers of excellence.

The facility will also allow the Bank Group to produce and broadcast, a series of courses related to Islamic Economics, Finance and Banking which are currently organised by IRTI which could also be attended at the same time by participants in different countries.

The videoconferencing facility in the centre will allow the Bank management and staff to participate in meetings and conferences which are organised by multilateral development Institutions (MDBs) as well as meetings with partners and beneficiaries of IDB financing without incurring the expensive travel costs and avoiding long absences from the office.

Quality Assurance Mechanism

The Bank now has a Total Quality Management Section that is currently working to develop standards and best practice for the ISP - Information Systems Plan Implementation Project. The Section is also aiming to initiate and develop quality management systems for the core business processes. It is expected that in this regard, the Quality Assurance function will provide the basis for the IDB Operations and Projects Complex to be able to establish key process performance indicators and put in place modus operandi for measuring the effectiveness, efficiencies of service delivery, and monitoring customer satisfaction throughout the Project Life Cycle.

VI. INFORMATION TECHNOLOGY ACTIVITIES

The mission of the Information Technology (IT) Department is to build a robust information technology infrastructure and modern information systems that would fulfill the current and future business information needs of the IDB Group.

A major IT project under implementation is the Information Strategy Plan (ISP) which is expected to be completed by the end of 2003. The project aims at building a new IT environment that could enhance the capacity of the IDB Group in achieving the objectives of the IDB Group.

The Department has implemented or is in the process of implementing a number of IT projects. Some of the completed projects are (a) the upgrade of the Local Area Network infrastructure using state-of-the-art networking platforms (b) the Distance Learning Center (DLC) with video conferencing and distance learning facilities.

Upgrading the office technology tools and solutions, shifting to Microsoft Windows XP environment, etc., are in the offing. These moves are expected to optimize the utilization of the information systems and services in the Group.

The communication systems and services such as e-mail, Internet services, Reuters services and SWIFT system are continuously enhanced to facilitate information flow within the IDB Group and with the member countries, regional offices, and other international organizations. The IDB Group Web-site is planned to be upgraded to a Portal site providing easy access and enhanced facilities to Member Countries and business clients.

The mainframe business applications are regularly maintained and updated to support the changing business processes and policies of the Group.

During the year under report, staff in the IT Department were provided training on Oracle Development Tools, Project Management for Software Development, and Disaster Recovery Planning to enhance technical knowledge and standardize skills.

VII. IDB LIVE DATABASE

In recognizing the growing importance of Monitoring and Evaluation (M & E) and the need to monitor outcomes as a means of improving development performance, the IDB has identified a Live Database (LDB) of the World Bank as one of the tools that could be used for monitoring economic development in member countries. In the latest Memorandum of Understanding (MOU) between the World Bank and the IDB, the LDB has been mentioned as a means of statistical capacity building and improving monitoring and evaluation for IDB. For this reason, and at the request of the IDB the World Bank team in December 2002 mounted a statistical capacity building mission to the IDB to set up a Live Database. During the visit, the team shared best practices and transferred the concept and knowledge of the World Bank Live Database through installation of a copy of LDB executive briefings and Query system (a collection of tools designed for collection, updating and reporting of data) and training of professionals in the configuration and maintenance of the LDB as well as in the use of LDB for report preparation.

The LDB is used as an approach and a system. This approach/system combination is aimed at helping policy makers to make informed decisions quickly by providing them easy access to the latest development data in a context and framework that is relevant to them. The approach is based on four pillars: (a) consolidating data from all sources into one Structured Query Language (SQL) database; (b) providing users with various tools to access the same database; (c) identifying the business rules and user requirements; and (d) developing and implementing Data Administration procedures, which are needed to ensure the highest quality data.

The IDB Live Database (ILDB) provides a systematic method to store and maintain information on key economic, financial, and socio-demographic statistics on IDB member countries as well as on selected regional and economic groups. The ILDB is comprises for: (i) a Country Database for in-depth economic work, (ii) Briefings, a management tool for accessing data on selected indicators in a pre-sorted, ready to use format, (iii) Query, a tool for storing, accessing, and manipulating cross-country economic and sector variables, and (iv) Updating tool, for data administrator to manage the system.

The ILDB contains historical data on 592 indicators dating back to 1965. It also has built-in flexibility that allows users to add new indicators, customize standard reports, choose method for calculating growth rates, etc. This will be updated with periodic inputs from the World Bank's LDB.

Currently, the ILDB is made available on the Intranet of the IDB for use by all the staff. The manual for accessing the ILDB on the Intranet has been prepared and disseminated. Training and workshop have also been planned for further enhancing the effective use of this important information facility.

VIII. STAFF

As of 30 Dhul Hijjah, 1423H, 32 new staff members joined the Bank comprising 25 professionals and 7 general category. Of these, 27 were from IDB member countries and the rest from Muslim communities in non-member countries. A total of 39 employees left the Bank. In recruiting staff, due emphasis is given to selecting candidates with the highest standards of efficiency and caliber from the widest possible geographic base. The Bank also continues to recruit external consultants and experts on short term basis for operational and non operational activities.

The total number of staff members as of 30 Dhul Hijja, 1423H is 881 comprising 402 professionals, 56 special category, 344 general category and 79 manual labour. Eighty staff members from the total hold Ph.D degrees.

Young Professionals Program

During the period under report, the Bank received 450 applications under the Young Professionals Program, from which forty-five candidates were interviewed. Twelve offers were issued and 11 accepted the offer of which 8 joined the programme. Of the Young Professionals on training, 7 were confirmed during the period.

Training

As of Dhul Hijjah 1423H, the Bank provided 637 training opportunities. Details are shown in Table 6.2.

TABLE 6.2
STAFF TRAINING DURING 1423H

No.	Activity	Professional	Special	General	Total
1.	In-house Training	292	17	96	405
2.	External Training	52	1	1	54
3.	Computer Training	25	9	47	81
4.	Languages	11	8	78	97
	Total	**380**	**35**	**222**	**637**

IX. LIBRARY

Through continuous efforts and carefully planned programs, the IDB Library has become one of the main information sources for the IDB staff. With its extensive collection including books, member country profiles, international and regional organization reports, large number of journal titles, and non-printed materials such as microfilms, PC software, CDs, magnetic tapes, audio/video cassettes, etc., the Library constitutes a solid knowledge and information base for the IDB Group business and research activities.

In order to provide the staff members with access to the Library resources and services from their desktops, the Library has developed a web site on the local network providing access to:

- Information database on more than 60 OIC member countries and other Islamic countries and communities.
- A fully searchable bibliographic database.
- Links to online information services such as Dialog, NorthernLight, British Library Documentation Supply Centre & EIU Country Reports.
- Electronic Information Bulletins on latest news for IDB staff.
- Improvement of Library Services

During 1423H, the Library introduced many improvements to its services such as electronic dissemination of information on new acquisitions, allowed electronic access to a larger number of periodicals, and provided online subscription to international newspapers.

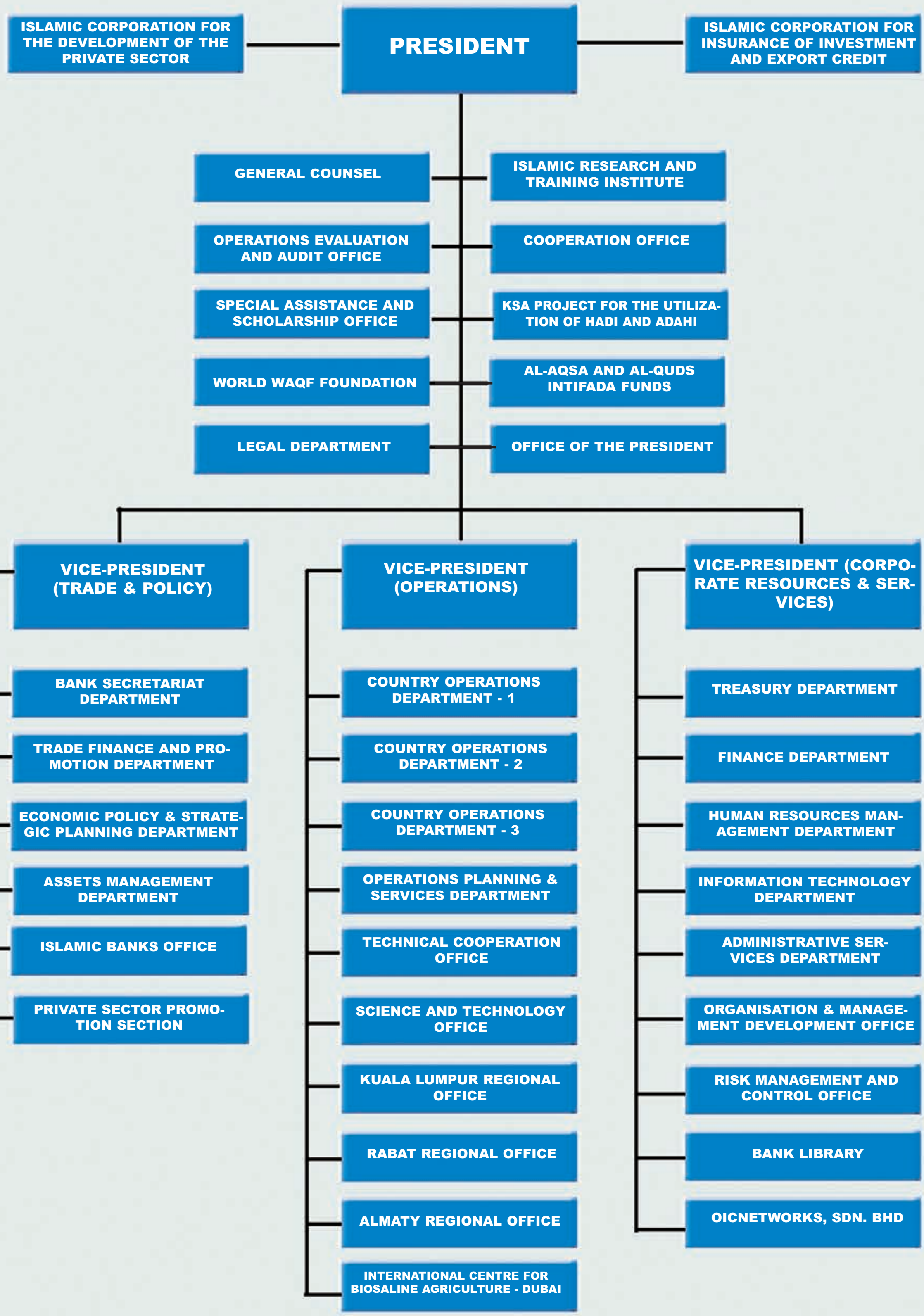
In co-operation with the IT Department, the Library has embarked on a major project of replacing the present library management system which is expected to allow the library to adopt state of the art methods and provide sophisticated services to the IDB Group.

The Library continued to co-operate with many institutions, visiting researchers and students in their research work in the fields of Islamic economics and banking.

The Library has established, in co-operation with the Human Resources Management Department, a 'Learning Resources Centre' in order to promote IDB training programmes and encourage the staff members to continue learning and self-education. The Learning Resources Centre includes (2,800) non--printed materials such as video tapes, cassettes and PC software etc. related to teaching languages, PC manuals, management tools, financial handbooks, lectures on Islamic banking, etc.

Education has been accorded high
priority in the strategic framework of the IDB

ORGANISATION CHART OF THE ISLAMIC DEVELOPMENT BANK GROUP



Chapter 7

Finance

Synthetic Detergemt Plant in Libya. The Bank has extended
US$ 14.5 million by way of Installment Sale.

HIGHLIGHTS 1423H

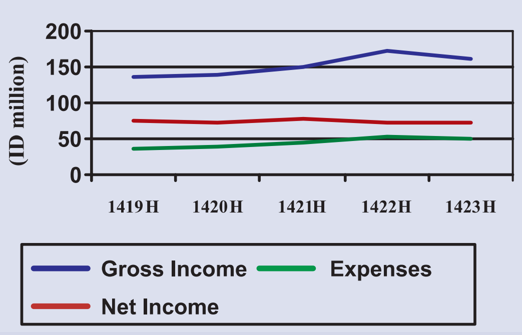
IDB

- ❖ Gross Income: ID161 million (US$220.57 million)
- ❖ Net Income: ID73.45 million (US$100.63)
- ❖ Members' Funds: ID3.899 billion
- ❖ Total IDB Group Disbursements: ID1.36 billion
- ❖ Total IDB Group Repayments: ID989 million
- ❖ Total Expenses and Provisions: ID97 million

Waqf Fund

- ❖ Net Assets: ID901
- ❖ Net Income: ID43.48 million

INCOME AND EXPENSES



The Bank's financial resources and ordinary operations financing continue to grow during the year 1423H (2002-2003). At ID73.45 million (US$100.63 million), net income for the year posted an increase of ID0.54 million (US$0.74 million) over the previous year's figure of ID72.91 million (US$92.42million).

Member's Funds increased by ID13.00 million (US$17.81 million)from ID3.77 billion (US$4.73 billion) in 1422H to ID 3.90 billion (US$5.34 billion) in 1423H.

Project approvals from Ordinary Capital Resources (OCR) decreased by 13 per cent from ID2.03 billion (US$2.61 billion) in 1422H to ID1.76 billion (US$2.29 billion) in 1423H.

I. OPERATIONS FINANCING

A sum of ID1.76 billion (US$2.29 billion) was approved from Ordinary Capital Resources by the Board of Executive Directors during the year 1423H, consisting of ID0.70 billion (US$0.89 billion) for Ordinary Project Operations and ID1.06 billion (US$1.40 billion) for Import Trade Financing Operations. Cumulative approvals on these accounts since the establishment of the Bank, net of cancellations, stood at ID21.39 billion (US$26.93 billion).

Disbursements

Disbursements under ordinary operations and Import Trade Financing Operations (ITFO) in 1423H amounted to ID1.172 billion (US$1.61 billion), compared to ID1.011 billion (US$1.39 billion) in 1422H. These comprised ID725 million (US$993.25 million) for ITFO and ID447 million (US$612.39 million) for Ordinary Project Operations as shown in Table 7.1. Cumulative disbursements since the Bank's establishment reached ID14.65 billion (US$18.91 billion).

Disbursements under other schemes and institutions of the Bank for the year 1423H amounted to ID188.00 million (US$257.37 million) and the cumulative disbursements from 1408H to 1423H amounted to ID1.79 billion (US$2.4 billion) as shown on Table 7.1A.

Repayments

Total repayments received during 1423H amounted to

TABLE 7.1
DISBURSEMENTS: ORDINARY OPERATIONS 1419H-1423H

(ID million)

Year	ITFO		Ordinary Operations		Total	
	Amount	%	Amount	%	Amount	%
1419H	326	61	209	39	535	100
1420H	459	62	283	38	742	100
1421H	372	59	255	41	627	100
1422H	690	68	321	32	1,011	100
1423*	725*	62	447	38	1,172	100

* Includ
Financir

CHART 7.1
DISBURSEMENTS 1419H-1423H

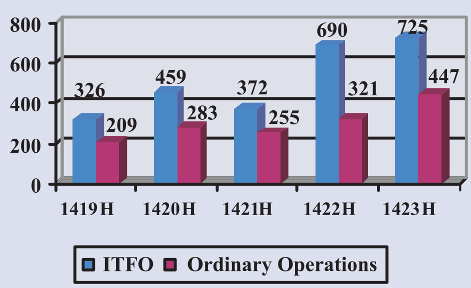


TABLE 7.1A
DISBURSEMENTS: OTHER SCHEMES 1408H-1423H

(ID million)

Year	EFS	IBP	UIF	ICD	APIF	Total
	Amount	Amount	Amount	Amount	Amount	
1408H-1422H	423	518	648	16	-	1,605
1423H	41	41	81	22	3	188
Total	**464**	**559**	**729**	**38**	**3**	**1,793**

ID817 million (US$1.12 billion), compared to ID857 million (US$1.06 billion) in 1422H, of which ID639 million (US$875.43 million) was for foreign trade and ID178 million (US$243.86 million) for ordinary operations (see Table 7.2 and Chart 7.2). Cumulative repayments at the end 1423H totaled ID10.86 billion (US$14.00 billion).

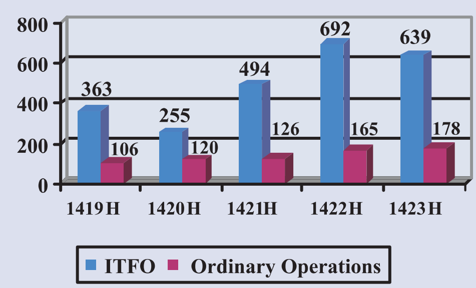
Total repayments for other units of the Bank for the year 1423H amounted to ID172 million (US$235.64

TABLE 7.2
REPAYMENTS: ORDINARY OPERATIONS 1419H-1423H

(ID million)

Year	ITFO		Ordinary Operations		Total	
	Amount	%	Amount	%	Amount	%
1419H	363	77	106	23	469	100
1420H	255	68	120	32	375	100
1421H	494	80	126	20	620	100
1422H	692	81	165	19	857	100
1423H	639	78	178	22	817	100

CHART 7.2
REPAYMENTS 1419H-1423H



million) and the cumulative repayments from 1408H to 1423H amounted to ID2.07 billion (US$2.68

TABLE 7.2A
REPAYMENTS: OTHER SCHEMES 1408H-1423H

(ID million)

Year	EFS	IBP	UIF	ICD	APIF	Total
	Amount	Amount	Amount	Amount	Amount	
1408H-1422H	329	470	1,100	-	-	1,899
1423H	69	26	77	-	-	172
Total	**398**	**496**	**1,177**	**-**	**-**	**2,071**

billion) as shown on Table 7.2A.

Overdues

As of 30 Dhul Hijja 1423H, overdues relating to IDB operations after rescheduling [excluding Iraq ID91.23 million (US$124.99 million) and Somalia ID8.67 million (US$11.88 million)] stood at ID7.09 million (US$9.71 million) (see Table 7.3). The Bank has continued its efforts to minimise the level of its operational overdues.

TABLE 7.3
OVERDUES ON OPERATIONS
1419H-1423H

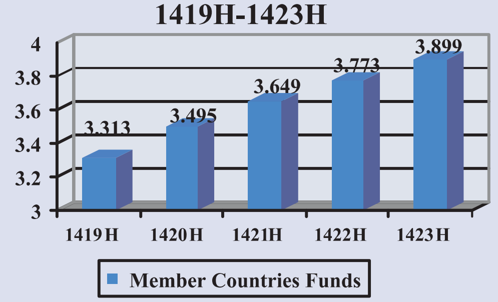
(ID million)

Finance Type	1419H	1420H	1421H	1422H	1423H
Import Trade Financing Operations	5.90	6.92	7.00	0.22	0.03
Leasing and Installment Sale	2.95	3.17	4.00	1.42	4.22
Loan (including service fees)	4.55	4.83	4.04	3.24	2.83
Total	**13.40**	**14.92**	**15.04**	**4.89**	**7.09**

II. FUNDING

At the end of 1423H, Member Countries' Funds (i.e. the paid-up capital, reserves and retained earnings) amounted to ID3.90 billion (US$5.34 billion) (see Chart 7.3 and Table 7.4).

CHART 7.3
MEMBER COUNTRIES' FUNDS
1419H-1423H



The Authorised and Subscribed Capital of the Bank stood at ID15 billion (US$20.55 billion) and ID8.1 billion (US$11.10 billion) respectively.

Paid-up capital increased by ID0.05 million (US$0.06 million) from ID2.63 billion (US$3.630) in 1422H to ID2.68 billion (US$3.67 billion) during the year 1423H. The number of countries who have completed all the requirements of IDB membership has increased from fifty-three to fifty-four as at the end of 1423H.

TABLE 7.4
MEMBER COUNTRIES FUNDS
1419H-1423H

(ID million)

		1419H	1420H	1421H	1422H	1423H
Paid-up Capital	Amount	2,377	2,490	2,574	2,625	2,677
	%	72	71	70	70	69
Capital Reserve	Amount	26	26	26	26	26
	%	1	1	1	1	1
General Reserve	Amount	834	907	971	1,048	1,122
	%	25	26	27	28	29
Retained Earnings	Amount	76	72	78	73	73
	%	2	2	2	1	1
Total Members Fund	**Amount**	**3,313**	**3,495**	**3,649**	**3,773**	**3,899**
	%	**100**	**100**	**100**	**100**	**100**

TABLE 7.5
OVERDUES ON SHARE CAPITAL
1419H-1423H

(ID million)

	1419H	1420H	1421H	1422H	1423H
Initial Capital Subscription	8	7	8	8	8
Additional Capital Subscription	1	-	-	-	-
2nd General Capital Increase	24	20	24	60	44
Total	**33**	**27**	**32**	**68**	**52**

As at the end of 1423H, overdues on share capital amounted to ID52 million (US$71.24 million) (see Table 7.5).

The Bank supplements its ordinary financial resources by mobilising funds through different Shari'ah-compatible schemes and financial instruments. By the end of 1423H, the Bank had raised a sum of US$325.00 million through the IDB Unit Investment Fund, US$100.00 million through the Islamic Bank Portfolio for Investment and Development, ID133.5 million (US$182.90 million) through the Export Financing Scheme and a further ID95 million (US$130.15 million) through the Investment Deposit Scheme.

III. MANAGEMENT OF LIQUID FUNDS

As of 30 Dhul Hijja 1423H, liquid funds totaling ID853 million (US$1.17 billion) were placed with financial institutions operating in the international financial markets and IDB member countries (Table 7.6A).

These include: a sum of ID813 million (US$1.11 billion) placed in Shari'ah-compatible investments; other funds totaling ID27 million (US$36.99 million) placed in deposit; call and current accounts; and ID13 million (US$17.81 million) maintained with the central banks of member countries.

TABLE 7.6A
COMPOSITION OF LIQUID FUNDS IN MAJOR CURRENCIES 1419H-1423H

		1419H	1420H	1421H	1422H	1423H
SDR-linked Deposits	Balance	-	-	-	-	-
	ID Equivalent	-	-	-	-	-
Euro	Balance	174	170	694	1,368	592
	ID Equivalent	137	121	488	557	467
US Dollar	Balance	830	577	455	217	77
	ID Equivalent	612	428	356	173	54
Deutsche Mark	Balance	562	514	54	-	-
	ID Equivalent	226	188	19	-	-
Japanese Yen	Balance	41,071	46,993	42,503	25,735	19,069
	ID Equivalent	255	331	272	159	117
Pound Sterling	Balance	194	191	238	249	171
	ID Equivalent	230	225	267	282	197
French Franc	Balance	1,134	1,130	23	-	-
	ID Equivalent	136	128	2	-	-
Other	ID Equivalent	12	-	3	5	5
Sub-total	**ID Million**	**1,608**	**1,421**	**1,407**	**1,176**	**840**
Add: Local Currency Deposits (Denominated in ID) with Central Banks of Member Countries		36	30	27	25	13
Total Liquid Fund of IDB-OCR		**1,644**	**1,451**	**1,434**	**1,201**	**853**

TABLE 7.6B
INVESTMENT OF LIQUID FUNDS 1419H-1423H

(ID million)

		1419H	1420H	1421H	1422H	1423H
Shariah Compatible Deposits	Amount	1,478	1,049	1,105	975	813
	%	90	72	77	81	95
Current Call & Deposit Accounts	Amount	119	358	292	195	27
	%	7	25	20	16	3
Local Deposits Denominated in ID (with Central Banks of Member Countries)	Amount	36	30	27	25	13
	%	2	2	2	2	2
Investment in Lease Participation Pools	Amount	11	14	10	6	-
	%	1	1	1	1	-
Total	**Amount**	**1,644**	**1,451**	**1,434**	**1,201**	**853**
	%	**100**	**100**	**100**	**100**	**100**

Shari'ah placements yielded a net return of ID27 million (US$36.99 million) in 1423H with an average annual rate of return of 4.0 per cent. The major currencies comprising these funds (see Table 7.6A).

IV. OPERATIONS RESULTS

1. Income

Gross income from Ordinary Capital Resources for the year 1423H decreased to ID161 million (US$220.57 million) from ID171 million (US$219.85 million) in 1422H (see Table 7.7 and Chart 7.4). This has resulted primarily from the decrease in income from shariah compatible deposits from ID46 million in 1422H to ID27 million in 1423H.

The Bank earned a net income of ID73 million (US$100.01 million) from Ordinary Capital Resources for the year ended 1423H, which is equal to ID73 million (US$91.62 million) income earned during the previous year.

Income from Shariah-compatible deposits declined by ID19 million (US$ 26.03 million) from ID46 million (US$57.73 million) in 1422H to ID27 million (US$ 36.99 million) in 1423H. Income from Import Trade Financing Operations decreased by ID5 million (US$6.85 million) from ID27 million (US$33.89

TABLE 7.7
COMPOSITION OF GROSS INCOME 1419H-1423H

(ID million)

		1419H	1420H	1421H	1422H	1423H
Shariah Compatible	Amount	58	48	57	46	27
	%	43	34	38	27	17
Import Trade Financing	Amount	23	26	27	30	22
	%	17	19	18	18	14
Leasing, Installment Sale	Amount	39	45	50	70	89
	%	29	32	33	41	55
Loan Service Fees	Amount	4	9	5	11	10
	%	3	6	3	6	6
Participation in Equity Capital	Amount	6	6	6	8	7
	%	4	4	4	5	4
Sale of Assets to UIF	Amount	-	-	-	-	-
	%	-	-	-	-	-
Dividends from Subsidiary Funds	Amount	-	-	-	-	-
	%	-	-	-	-	-
Others (Including Mudarib Fees)	Amount	6	6	6	6	6
	%	4	4	4	3	4
Total	**Amount**	**136**	**140**	**151**	**171**	**161**
	%	**100**	**100**	**100**	**100**	**100**

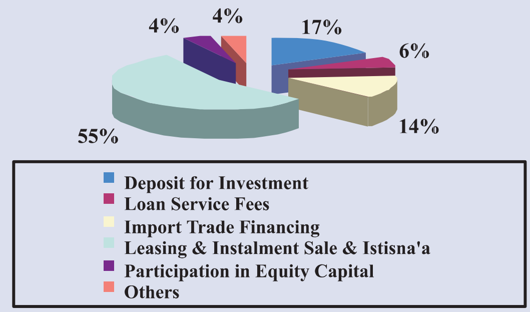
million) in 1422H to ID22 million (US$30.14 million) in 1423H. The overall return on total assets amounted to ID161 million(US$220.57 million) in 1423H, representing an average yield of 4.13 per cent on the Bank's total assets.

TABLE 7.7A
NET INCOME FROM 1419H-1423H

(ID million)

	1419H	1420H	1421H	1422H	1423H
Gross Income	136	140	151	171	161
Exchange Gain / (Loss)	-	-	-	(2)	9
Expenses	37	40	44	53	49
Net Income before Depreciation/Provisions	99	100	107	116	121
Depreciation	16	22	23	35	42
Provisions	7	6	6	8	6
Net Income	76	72	78	73	73

CHART 7.4
SOURCES OF INCOME 1423H
(ID 161 million)



Income realised from Ordinary Capital Resources does not include ID3.51 million (US$4.81 million) earned on conventional call accounts and Yen deposits which have been transferred to the Waqf Fund. This amount was ID1.05 million (US$1.33 million) last year.

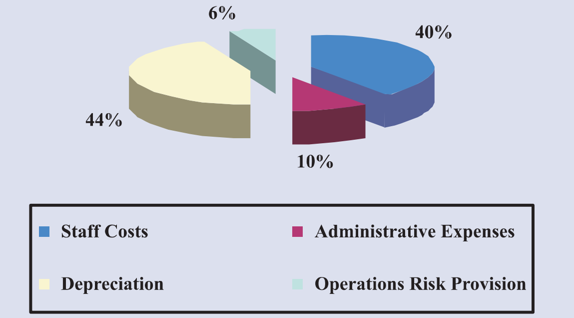
2. Expenses

TABLE 7.8
EXPENSES AND PROVISIONS 1419H-1423H

(ID million)

		1419H	1420H	1421H	1422H	1423H
Staff Cost	Amount	28	31	34	43	39
	%	47	46	47	45	40
Administrative Expenses	Amount	9	9	10	10	10
	%	15	14	13	11	10
Depreciation	Amount	16	22	23	35	42
	%	26	32	31	36	44
Sub-total	Amount	53	62	67	88	91
	%	86	88	92	92	94
Operations Risk Provision	Amount	4	3	6	4	6
	%	6	4	8	4	6
Provision against Investment in Lease Participation Pools	Amount	3	3	-	4	-
	%	6	4	-	4	-
Total	**Amount**	**60**	**68**	**73**	**96**	**97**
	%	**100**	**100**	**100**	**100**	**100**

CHART 7.5
EXPENDITURE 1423H
(ID 94 million)



Total expenses and provisions for 1423H aggregated ID97 million (US$ 132.89 million) as compared to ID96 million (US$121.68 million) for 1422H. The breakdown of expenses for the period 1419H-1423H is given in Table 7.8 and Chart 7.5.

3. Provisions

As at 30 Dhul Hijja 1423 H, the aggregate provision for possible decline in the value of equity investments amounted to ID51 million (US$69.87 million), against equity investments of an aggregate value of ID241 million (US$330.17 million).

Additionally, for the other types of Bank operations excluding equity participation, the aggregate provisions made for operations risk amounted to ID140 million (US$191.80 million). This includes an amount of ID6.2 million (US$8.49 million) charged against the ordinary income for the year.

V. WAQF FUND

The net assets of the Waqf Fund amounted to ID901 million (US$1.23 billion) at the end of 1423H, the composition of which is shown in Table 7.10. These assets comprise ID729 million (US$998.73 million) for the Principal Amount of the Waqf Fund, ID77 million (US$105.49 million) for the unspent balance of the Special Assistance Account, and ID95 million (US$130.15 million) for the Special Account for Least Developed Member Countries.

During the year 1423H, income earned on call and deposit accounts belonging to the Waqf Fund accounts amounted to ID5.86 million (US$8.03 million), compared to ID6.05 million (US$7.59 million) in 1422H.

Managed Investments contributed ID43.58 million (US$59.70 million) to the total income, compared to ID5.58 million (US$7.00 million) in 1422H, representing an increase of ID38 million (US$52.06 million) due to improved performance of security prices in the international markets.

Net income from Murabaha and other funds amounted to ID2.70 million (US$3.70 million) compared to a net income of ID9.50 million (US$11.92 million) in 1422H.

Disbursements from the Waqf Fund for special assistance including grants and programme expenses for 1423H amounted to ID 31.76 million(US$43.51 million) as compared to ID42.73 (US$53.63 million) in 1422H.

VI. RESOURCE MOBILISATION

Following the symposium on "Resource Mobilisation from Capital Markets" for Financing Development IDB Member Countries" held on the occasion of the Annual Meeting of the Board of Governors in 1421H, a number of steps have been taken to tap the market for mobilization of resources. To begin with, the Board of Governors, in its meeting held in Algeria on 07-08 Sha'ban 1422H (23-24 October 2001) approved the recommendation of the Board of Directors to raise US$300 million by launching an IDB International Debut Sukuk Issue. To implement this Resolution, the Bank has engaged the services of Citigroup to structure and lead-manage the US$300 million IDB International Sukuk Issue. The Mandate Letter with the Lead-Manager has been signed on 12 July 2002. Preparation of the launch of Sukuk is in the final stage. The structure, rating of Sukuk certificate (AAA by S&P, AA by Fitch IBCA), documentation, marketing material, etc., have been finalized and it is expected that the closing of the issue will take place in the beginning of the 3rd quarter 2003.

In addition to launching its own Sukuk, IDB has participated, as a Co-Manager, in the US$250 million issue of the Bahrain Government. The Lead Manager for the issue was the Liquidity Management Centre (LMC), an entity specifically tasked for promoting Islamic financial instruments and providing liquidity to the market, of which IDB is 25% shareholder. This was the first market appearance of the LMC. On the

TABLE 7.9
OCR SIGNIFICANT FINANCIAL INFORMATION
1419H-1423H

(ID million)

	1419H	1420H	1421H	1422H	1423H
INCOME FROM Shariah Compatible Deposits	58	48	57	46	27
Import Trade Financing	23	26	27	27	22
Installment Sale & Istisna a	19	18	19	24	29
Leasing	20	27	31	48	60
Loan Service Fees	4	9	5	11	10
Participation in Equity Capital	6	6	6	9	7
Sale of Assets to UIF	7	-	-	-	-
Dividends from Subsidiary Funds	-	-	-	-	-
Others (Including Mudarib Fees)	6	6	6	6	6
Total Income	**136**	**140**	**151**	**171**	**161**
Expenses & Provisions	60	68	73	96	97
Exchange Gain/(Loss)				(2)	9
Net Income	76	72	78	73	73
ASSETS					
Current Call & Time Deposits	121	358	320	220	469
Shariah Compatible Investments	1,478	1,049	1,105	975	385
Other Deposits & Investment	45	44	55	6	-
Investment in Trust Funds Operations	115	119	138	258	312
Foreign Trade Financing	406	667	643	695	894
Leasing	257	358	398	474	521
Istisna a	16	19	22	52	153
Installment Sale Financing	260	270	335	381	466
Loans	418	487	531	597	669
Less: Operations Risk Provision	(39)	(61)	(71)	(128)	(135)
Participation in Equity Capital	123	145	169	228	241
Other Assets	179	117	204	119	146
Total Assets	**3,379**	**3,572**	**3,849**	**3,877**	**4,121**
Resource and Liabilities Members Funds	3,312	3,495	3,649	3,773	3,899
Differed Income and Accruals	67	77	200	104	222
Total Resources	**3,379**	**3,572**	**3,849**	**3,877**	**4,121**
Financial Ratios (%)					
Total Income/Total Assets	4.0	3.9	3.9	4.4	4.1
Net Income/Total Assets	2.2	2.0	2.0	1.9	1.8
Total Income/Operational Assets	4.7	4.7	4.8	5.2	5.3
Average Return on Liquid Assets	4.0	3.8	5.2	4.4	4.0
Total Expenses/Total Income	44.1	48.6	48.4	56.7	57.1
Total Expenses Total Assets	1.8	1.9	1.9	2.5	2.4
Exchange Rate (1 ID=$)	1.357	1.347	1.269	1.255	1.370

Note: Return from conventional fixed deposits and call accounts is not included in the income of Ordinary Capital Resources as it was transferred to Waqf Fund.

TABLE 7.10
ASSETS AND RESOURCES OF THE WAQF FUND (FORMERLY SPECIAL ACCOUNT) 1420H-1423H

(ID million)

	1420H	1421H	1422H	1423H
INCOME FROM				
Call & Fixed Deposits Accounts with Banks	5.00	5.97	6.05	5.86
Profit on Managed Investments	(5.42)	32.37	5.58	43.58
Net Result of UIF Deposits	(1.60)	(1.89)	(0.86)	(0.05)
Investments in Murabaha and Other Funds	20.23	9.40	9.50	2.70
Investments in ICIEC			0.48	(1.37)
Investment UIF Shares	0.91	0.70	2.73	1.86
Exchange Gain/(Loss)	(0.96)	4.70	0.74	7.57
Total Income	**18.16**	**51.29**	**24.22**	**45.02**
Expenses	(1.18)	(1.86)	(1.32)	(1.54)
Net Income	16.98	49.43)	22.90	43.48
Assets				
Deposits and Investments	196	161	239	263
Managed Funds (Fund Managers)	315	348	321	365
Specific Deposits with IDB/UIF	63	38	21	10
Murabaha & Other Funds	239	240	137	107
Investment in UIF Units	1	41	39	65
Infrastructure Fund	-	-	-	2
Investment in ICIEC	50	50	62	60
Investment in OIC net	-	-	1	1
Loan and Technical Assistance	67	72	60	80
Accrued Income and Miscellaneous	11	8	16	7
Share of HQ Building	28	27	26	26
Total Assets	**970**	**985**	**922**	**986**
Deduct: Liabilities Accruals & Other Liabilities	(19)	(16)	(6)	(23)
Specific Deposit from IDB-UIF	(72)	(51)	(34)	(21)
Due to IDB (OCR)	(1)	(28)	-	(41)
Net Assets	**878**	**890**	**882**	**901**
Represented by:				
Special Assistance	127	111	84	77
Special Account for LDMC*	69	78	86	95
Principal Amount of Waqf Fund*	682	699	712	729
Total Resources	**878**	**890**	**882**	**901**

* Least Developed Member Countries
** Formerly Special Reserve
Note: Previous years amounts have been reclassified to conform with the current year s presentation.

Appendices

ERNST & YOUNG
P.O. Box 1994
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AL JURAID & COMPANY
Member Firm of PricewaterhouseCoopers
P.O. Box 16415
Jeddah 21464
Saudi Arabia

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

FINANCIAL STATEMENTS
30 Dhul Hijjah 1423H (3 March 2003)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
30 Dhul Hijjah 1423H (3 March 2003)

CONTENTS

	Page
Auditors' Report	179
Statement of Financial Position	180
Statement of Income	181
Statement of Cash Flows	182
Statement of Changes in Members' Equity	183
Notes to the Financial Statements	184-201

ERNST & YOUNG
P.O. Box 1994
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AL JURAID & COMPANY
Member Firm of PricewaterhouseCoopers
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AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of financial position of Islamic Development Bank - Ordinary Capital Resources (the "Bank") as of 30 Dhul Hijjah 1423H (3 March 2003) and the related statements of income, cash flows and changes in members' equity for the year then ended. These financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Ordinary Capital Resources as of 30 Dhul Hijjah 1423H (3 March 2003), and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

We also note that the Bank has followed other accounting standards with respect to accounting measurement, recognition, presentation and disclosure matters not covered by the AAOIFI standards, which are disclosed in Note 2 (a).

For ERNST & YOUNG

Dr. Abdullah A. Baeshen
Registration No. 66

For AL JURAID & COMPANY

Penrhyn Wilson III
Registration No. 182

16 Rabi Thani 1424H
16 June 2003

ERNST & YOUNG
PROFESSIONAL LICENCE No. 45

AL JURAID & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
LICENCE No. 25

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
30 Dhul Hijjah 1423H (3 March 2003)
(In Thousands of Islamic Dinars)

	Notes	1423H	1422H
ASSETS			
Cash at banks	3	40,323	63,392
Commodity placements with banks, net	4	812,954	1,131,357
Lease participation pools, net	5	293	5,818
Murabaha financing, net	6	858,671	752,638
Istisna'a assets, net	7	148,506	52,236
Instalment sales financing, net	8	441,331	360,077
Loans, net	9	601,557	525,610
Ijarah Muntahia Bittamleek, net	10	517,694	472,240
Investments in equity capital	12	240,627	228,387
Investments in subsidiaries and trust funds:			
Export Financing Scheme	13	75,000	75,000
Islamic Banks' Portfolio for Investment and Development	14	39,699	51,205
Islamic Corporation for the Development of the Private Sector	15	191,940	129,372
Awqaf Properties Investment Fund		5,559	3,216
Accrued income and other assets	16	86,403	56,057
Property and operating equipment, net	17	60,352	61,812
TOTAL ASSETS		**4,120,909**	**3,968,417**
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accruals and other liabilities	18	221,963	195,711
MEMBERS' EQUITY			
Paid-up capital	20	2,677,363	2,625,315
Capital reserve	21	26,267	26,267
General reserve	22	1,117,421	1,048,145
Fair value reserve		4,448	69
Net income for the year		73,447	72,910
Total members' equity		**3,898,946**	**3,772,706**
TOTAL LIABILITIES AND MEMBERS' EQUITY		**4,120,909**	**3,968,417**

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 16 Rabi Thani 1424H (16 June 2003).

The attached notes from 1 through 31 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF INCOME
For the Year Ended 30 Dhul Hijjah 1423H (3 March 2003)
(In Thousands of Islamic Dinars)

	Notes	1423H	1422H
Income (loss) from:			
Commodity placements with banks	4	26,624	45,673
Lease participation pools	5	(158)	398
Murabaha financing	6	22,222	27,000
Istisna'a assets	7	2,736	1,507
Instalment sales financing	8	26,873	22,111
Loan service fees	9	9,999	10,508
Ijarah Muntahia Bittamleek	10	59,754	48,329
Investments in equity capital	12	6,756	8,814
Investment in Islamic Banks' Portfolio for Investment and Development	14	2,019	3,707
Mudarib fees	14, 15, 25	3,754	2,507
		160,579	170,554
Foreign exchange gain / (loss)		9,464	(1,457)
		170,043	169,097
Administrative expenses:			
Staff cost		(39,461)	(43,609)
Other		(9,918)	(9,887)
Depreciation:		(49,379)	(53,496)
Ijarah muntahia bittamleek	10	(38,754)	(32,335)
Property and operating equipment	17	(2,292)	(2,189)
		(41,046)	(34,524)
Provision for impairment	11	(6,171)	(8,167)
Net income		**73,447**	**72,910**

The attached notes from 1 through 31 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH FLOWS
For the Year Ended 30 Dhul Hijjah 1423H (3 March 2003)
(In Thousands of Islamic Dinars)

	1423H	1422H
CASH FLOWS FROM OPERATIONS		
Net income	73,447	72,910
Adjustments to reconcile net income to net cash used in operating activities: Depreciation	41,046	34,524
Provision for impairment	6,171	8,167
Changes in operating assets and liabilities:		
Lease participation pools	5,940	3,539
Murabaha financing	(107,772)	(51,138)
Istisna'a assets	(101,040)	(29,773)
Instalment sales financing	(84,220)	(45,722)
Loans	(70,757)	(61,279)
Accrued income and other assets	(30,346)	79,602
Accruals and other liabilities	26,252	(96,749)
Net cash used in operating activities	(241,279)	(85,919)
CASH FLOWS FROM INVESTING ACTIVITIES		
Commodity placements with banks	41,885	842,393
Ijarah Muntahia Bittamleek	(86,509)	(107,930)
Investments in equity capital	(7,861)	(7,554)
Investment in Islamic Banks' Portfolio for Investment and Development	11,506	(5,322)
Investment in Islamic Corporation for the Development of the Private Sector	(62,568)	(66,707)
Investment in Awqaf Properties Investment Fund	(2,343)	1,202
Purchase of property and operating equipment, net	(832)	(901)
Net cash (used in) provided by investing activities	(106,722)	655,181
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in paid-up capital	52,048	51,349
Technical assistance grants	(3,634)	(3,997)
Net cash provided by financing activities	48,414	47,352
(Decrease) increase in cash and cash equivalents	(299,587)	616,614
Cash and cash equivalents at the beginning of the year	1,133,153	516,539
Cash and cash equivalents at the end of the year (Note 23)	**833,566**	**1,133,153**
SUPPLEMENTAL INFORMATION OF NON-CASH ITEM:		
Adoption of accounting policies resulting in adjustments to receivable from operations	-	47,824

The attached notes from 1 through 31 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Year Ended 30 Dhul Hijjah 1423H (3 March 2003)
(In Thousands of Islamic Dinars)

	Paid-up capital	Capital reserve	General reserve	Fair value reserve	Net income for the year	Total
Balance at 30 Dhul Hijjah 1421H as previously reported	2,573,966	26,267	970,732	-	77,653	3,648,618
Effect of change in accounting policies with respect to:						
Operation risks provision	-	-	-	-	(47,824)	(47,824)
Net fair value gains from investments in equity capital	-	-	-	-	51,581	51,581
Foreign currency exchange loss	-	-	8,500	-	(8,500)	-
Balance at 30 Dhul Hijjah 1421H as restated	2,573,966	26,267	979,232	-	72,910	3,652,375
Increase in paid- up capital	51,349	-	-	-	-	51,349
Net fair value gains from investments in equity capital	-	-	-	69	-	69
Net income	-	-	-	-	72,910	72,910
Transfer to reserves	-	-	72,910	-	(72,910)	-
*Allocation for technical Assistance	-	-	(3,997)	-	-	(3,997)
Balance at 30 Dhul Hijjah 1422H	2,625,315	26,267	1,048,145	69	72,910	3,772,706
Increase in paid-up capital	52,048	-	-	-	-	52,048
Net fair value gains from investments in equity capital	-	-	-	4,379	-	4,379
Net income	-	-	-	-	73,447	73,447
Transfer to reserves	-	-	72,910	-	(72,910)	-
*Allocation for technical assistance	-	-	(3,634)	-	-	(3,634)
Balance at 30 Dhul Hijjah 1423H	**2,677,363**	**26,267**	**1,117,421**	**4,448**	**73,447**	**3,898,946**

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
NOTES TO FINANCIAL STATEMENTS
30 Dhul Hijjah 1423H (3 March 2003)

1. INCORPORATION AND ACTIVITIES

Islamic Development Bank (the "Bank") is an international financial institution established pursuant to Articles of Agreement signed and ratified by its member countries. The Bank commenced its operations on 15 Shawwal 1395H (20 October 1975). The purpose of the Bank is to foster economic development and social progress of member countries and Muslim communities, individually as well as jointly, in accordance with the principles of Shari'ah. The Bank has 54 member states.

All of the Bank's operational assets, with the principal exception of investments in equity capital, are considered as sovereign debts made to or guaranteed by the respective member countries or investments in member countries, which are guaranteed by commercial banks acceptable to the Bank.

As an international institution, the Bank is not subject to an external regulatory authority.

The Bank consults the Islamic Fiqh Academy, an institution established by the Organization of the Islamic Conference, to provide it with Shari'ah advice. During 1422H, the Bank also established its own Shari'ah Advisory Board.

The Bank carries out its business activities through its headquarters in Jeddah, Saudi Arabia, its regional offices in Morocco, Malaysia and Kazakhstan, and the following affiliated entities/trust funds:

Entity	Relationship	Equity ownership	Nature of business
Islamic Corporation for the Insurance of Investment and Export Credit	Management services	-	Insurance services
Export Financing Scheme	Management services and equity participation subsidiary)	56.5%	Financing exports of member countries
Islamic Banks' Portfolio for Investment and Development	Mudarib and equity participation (subsidiary)	49.67%	Investment finance
Islamic Development Bank - Unit Investment Fund	Mudarib	-	Investment finance
Islamic Corporation for the Development of the Private Sector	Equity participation (subsidiary)	93%	Private sector finance
Special Account Resources Waqf Fund	Management services	-	Social sector finance
Awqaf Properties Investment Fund	Mudarib and equity participation	36.36%	Social sector finance

The financial statements of the Bank are expressed in thousands of Islamic Dinars (ID). Islamic Dinar is the unit of account of the Bank and is equal to one Special Drawing Right (SDR) of the International Monetary Fund.

The financial statements reflect the assets, liabilities and results of operations of the Ordinary Capital Resources of the Bank, as defined in the Articles of Agreement. Accordingly, the financial statements exclude the balances and results of operations of the Bank's subsidiaries and certain special trust funds, which are managed and/or operated by the Bank. The Bank prepares separate consolidated financial statements, which reflect the assets, liabilities and results of operations of the Bank's subsidiaries and trust funds over which the Bank exerts control.

The Bank's financial year is the lunar Hijra year.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in accordance with Article 8.2 of the Financial Regulations of the Bank and with the Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). For matters for which no AAOIFI standard exists, the Bank uses the relevant International Accounting Standard.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available-for-sale investments.

(b) Translation of currencies

Transactions in currencies other than Islamic Dinar are recorded at the exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Islamic Dinars on the basis of SDR rates declared by International Monetary Fund at the date of the statement of financial position. Foreign currency exchange gains and losses are credited or charged to the statement of income.

(c) Revenue recognition

Income from placements with Islamic banks is recognized on a time apportionment basis.

Income from placements with conventional banks, which are invested in commodity trading, is accrued on a time apportionment basis over the period from actual disbursement of funds to the settlement date.

Any income from cash and cash equivalents and other investments, which is considered by management as forbidden by Shari'ah, is not included in the Bank's statement of income but is transferred to Special Account Resources Waqf Fund.

Income from lease participation pools is recognized based on the valuation reports received from the pool managers. Additional provision is created when the Bank identifies investments in specific lease participation pools as potentially impaired.

Income from Murabaha financing and instalment sales financing are accrued on a time apportionment basis over the period from the date of actual disbursement of funds to the scheduled repayment date of instalments.

Income from Istisna'a assets is recognized using the percentage of completion method.

Income from loan service fees is accrued according to the loan agreement.

Income from Ijarah Muntahia Bittamleek is accrued according to the lease agreement.

Income from investments in Islamic Banks' Portfolio for Investment and Development, Export Financing Scheme, Islamic Corporation for the Development of the Private Sector and Awqaf Properties Investment Fund is recognized when dividends are declared.

(d) Operational assets

Operational assets consist of receivables from Murabaha, Istisna'a, instalment sales and loan contracts, and Ijarah Muntahia Bittamleek assets.

Amounts receivable from Murabaha financing are stated at the cost of goods sold to the beneficiaries plus income recognized by the Bank to the date of the statement of financial position, less repayments received.

Amount of Istisna'a assets represent the disbursements made as of the date of the statement of financial position against the assets acquired for an Istisna'a project plus income recognized, less repayments received.

Amounts receivable from instalment sales financing are stated at the gross amount receivable from the beneficiaries, net of unearned income.

Amounts receivable from loans represent amounts disbursed in respect of projects plus the loan service fees due, less repayments received relating to the outstanding capital portion of the loan as determined according to the loan agreements.

Amounts relating to Ijarah Muntahia Bittamleek consist of assets purchased by the Bank and leased to beneficiaries for their use under Ijarah Muntahia Bittamleek agreements whereby the ownership of the assets is transferred to the beneficiaries at the end of the lease terms and the completion of all payments under the agreements. The assets are recorded at cost and depreciated using the straight-line method over the related lease period.

(e) Investment deposit scheme

Resources from the investment deposit scheme are included as part of the Bank's Ordinary Capital Resources. The scheme's Regulations provide that returns due to investment depositors are determined in relation to the current mark-up applicable to foreign trade financing at the date of receipt of the deposits. The Bank deducts a proportion in respect of its administrative costs of the scheme, except for deposits placed by the Bank's staff retirement plan.

(f) Investments in equity capital

Investments in equity capital are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in equity prices. Such investments are measured at fair value, and any gain or loss arising from the change in their fair value is recognized directly in the fair value reserve under Members' Equity.

Securities available-for-sale whose fair value cannot be reliably measured are carried at amortized cost, less provision for any impairment in the value of the investments.

(g) Impairment of financial assets

Operational assets:

The Bank determines its provision for impairment losses based on an assessment of collectibility risks. The assessment is based on country risk ratings and long-term historical experience of the Bank. It also takes into account the losses that it may suffer as a result of rescheduling the dues from certain countries and from settlement plans mutually agreed with the beneficiaries due to its participation in the debt relief initiative for the Heavily Indebted Poor Countries (HIPC). The loss results from the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the implicit rate of return in the agreement. The impairment provision is periodically adjusted based on a review of the prevailing circumstances.

Adjustments to the provision are recorded as a charge or addition to income. In order to determine the adequacy of provision, the Bank considers the net present value of expected future cash flows discounted at the financial instruments' implicit rate of return.

Other financial assets:

An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and its fair value.

For financial assets carried at amortized cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of income.

For financial assets carried at fair value where a loss has been recognised directly under Members' Equity, the cumulative loss recognized under Members' Equity is transferred to the statement of income.

(h) Investments in lease participation pools

Investments in lease participation pools are recorded initially at cost and are revalued periodically based on the valuation reports received from the pool managers.

Additional provision is created when the Bank identifies investments in specific lease participation pools as potentially impaired.

(i) Investments in unconsolidated subsidiaries and trust funds

Investments in unconsolidated subsidiaries and trust funds over which the Bank exerts control are carried at cost. The Bank's share of dividends distributed by the subsidiaries and trust funds are recognized in the statement of income.

The Bank also prepares separate consolidated financial statements in which the results of its subsidiaries and trust funds, over which the Bank exerts control, are consolidated.

The following is a summary of the financial information (in thousands of ID) for the unconsolidated subsidiaries and trust funds as of 30 Dhul Hijjah and for the years then ended:

	1423H	1422H
Income from operations	29,247	23,072
Net income	5,743	17,912
Total assets	539,627	495,755
Total liabilities	5,157	11,613

(j) Property and operating equipment

Property and operating equipment are recorded at cost, except for donated land, which is recorded at its market value at the time of acquisition.

Land is not depreciated. Other property and operating equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Permanent headquarters building	40 years
Pre-fabricated buildings	6 2/3 years
Furniture and equipment	4 to 10 years
Motor vehicles	5 years

In the year of acquisition, additions are depreciated at 50% of the normal rate. Maintenance and repair costs are expensed as incurred.

(k) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and commodity placements with banks having a maturity of three months or less at the date of acquisition.

(l) Post-employment benefits plans

The Bank has two defined post-employment benefit plans, the Staff Retirement Plan and Post- Employment Medical Scheme, both of which require contributions to be made to separately administered funds. The cost of providing benefits under the plans is determined separately for each plan based on actuarial valuation. Actuarial gains and losses are recognized as income or expense where material. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

3. CASH AT BANKS

Cash at banks at 30 Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1423H	**1422H**
Cash on hand	212	173
Current accounts	18,317	25,253
Call accounts	21,794	37,966
Total	**40,323**	**63,392**

Current accounts at 30 Dhul Hijjah 1423H include ID 13.2 million (1422H - ID 24.8 million), which represent balances in member countries' currencies. These current account balances are to be used to finance operations and projects in the countries in which these accounts are maintained. For each such account, the country is required to maintain the counter-value in local currency.

4. COMMODITY PLACEMENTS WITH BANKS, NET

Commodity placements with banks at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1423H	**1422H**
Placements with Islamic banks	50,682	52,773
Placements with conventional banks	766,415	1,082,727
	817,097	1,135,500
Less: Provision for impairment	(4,143)	(4,143)
Commodity placements with banks, net	**812,954**	**1,131,357**

The Bank maintains placements with some Islamic banks where the Bank is entitled to a share of the profit or loss for the period of the placements at the time of their maturity.

Placements with conventional banks are utilized in the purchase and sale of commodities. Trading is conducted by conventional banks on behalf of the Bank. The discretion of the conventional banks over buying and selling is limited by the terms of the agreements between the Bank and the conventional banks. The conventional banks have guaranteed the liability of the third parties in respect of all transactions.

5. LEASE PARTICIPATION POOLS, NET

Lease participation pools at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Lease participations	6,737	12,677
Less: Provisions for impairment	(6,444)	(6,859)
Lease participation pools, net	**293**	**5,818**

Lease participation pools are investments managed by third party Islamic institutions in which the Bank has made specific investments as part of its management of liquidity. Additional provision is created when the Bank identifies investments in specific lease participation pools as potentially impaired.

6. MURABAHA FINANCING, NET

Murabaha financing at 30 Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Gross amounts receivable	911,299	810,156
Less: Unearned income	(16,924)	(23,553)
	894,375	786,603
Less: Provision for impairment	(35,704)	(33,965)
Murabaha financing, net	**858,671**	**752,638**

All goods purchased for resale under Murabaha financing are made on the basis of specific purchase for resale to the subsequent customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Bank as a result of default by the customer prior to the sale of goods would be made good by the customer.

Income from Murabaha financing for the years ended 30 Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Total income from Murabaha financing	24,891	31,462
Less: Share of investment depositors (Note 2e)	(2,669)	(4,462)
Income from Murabaha financing, net	**22,222**	**27,000**

7. ISTISNA'A ASSETS, NET

Istisna'a assets at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Istisna'a assets	153,276	52,236
Less: Provision for impairment	(4,770)	-
Istisna'a assets, net	**148,506**	**52,236**

Istisna'a assets represents the disbursements made as of the date of the statement of financial position against the assets acquired for Istisna a projects plus income recognized, less repayments received.

8. INSTALMENT SALES FINANCING, NET

Receivable from instalment sales financing at 30 Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Gross amounts receivable	627,388	499,878
Less: Unearned income	(162,117)	(118,827)
	465,271	381,051
Less: Provision for impairment	(23,940)	(20,974)
Instalment sales financing, net	**441,331**	360,077

All goods purchased for resale under instalment sales financing are made on the basis of specific purchase for resale to the subsequent customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Bank as a result of default by the customer prior to the sale of goods would be made good by the customer.

9. LOANS, NET

Loans balance at 30 Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Loans	663,061	592,304
Less: Provision for impairment	(61,504)	(66,694)
Loans, net	**601,557**	**525,610**

Loans represent amounts disbursed in respect of loans plus the loans service fees due, less repayments received relating to the outstanding principal amounts of the loans as determined according to the loan agreements.

10. IJARAH MUNTAHIA BITTAMLEEK, NET

Ijarah Muntahia Bittamleek at 30 Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Cost:		
Assets not yet in use:		
At the beginning of the year	243,999	192,878
Additions	86,509	107,930
Transferred to assets in use	(27,386)	(56,809)
At the end of the year	303,122	243,999
Assets in use:		
At the beginning of the year	335,212	278,403
Transferred from assets not yet in use	27,386	56,809
At the end of the year	362,598	335,212
Total cost	665,720	579,211
Accumulated depreciation:		
Balance at the beginning of the year	(105,391)	(73,056)
Charge for the year	(38,754)	(32,335)
At the end of the year	(144,145)	(105,391)
Balance at the end of the year	521,575	473,820
Less: Provision for impairment	(3,881)	(1,580)
Ijarah Muntahia Bittamleek, net	**517,694**	**472,240**

Included in assets in use is an amount of ID 15.2 million (1422H - ID 14.8 million) that represents the cost of fully depreciated assets, which will ultimately be transferred to the beneficiaries under the terms of the lease agreements.

11. PROVISION FOR IMPAIRMENT

The provision for impairment at 30 Dhul Hijjah is against the following assets:

(In Thousands of Islamic Dinars)

	1423H	1422H
Commodity placements with banks	4,143	4,143
Lease participation pools	6,444	6,859
Murabaha financing	35,704	33,965
Istisna’a assets	4,770	-
Instalment sales financing	23,940	20,974
Loans	61,504	66,694
Ijarah Muntahia Bittamleek	3,881	1,580
Investments in equity capital	50,755	70,424
Total	**191,141**	**204,639**

The movements in the provision for impairment during the years ended 30 Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1423H	1422H
Balance at the beginning of the year	204,639	148,648
Charge for the year	6,171	8,167
Assets written off against provision	(19,669)	-
Effect of adopting IAS 39	-	47,824
Balance at the end of the year	**191,141**	**204,639**

12. INVESTMENTS IN EQUITY CAPITAL

The Bank undertakes equity investments in industrial and agro-industrial projects and Islamic banks and financial institutions of member countries. In accordance with the Bank's policy, such investments should not exceed one third of the investee companies' capital. The Bank's policy is not to have control or exercise any significant influence over the financial and operating policies of the investees.

Investments in equity capital at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Equity investments:		
Listed	133,666	129,346
Unlisted	157,716	169,465
	291,382	298,811
Less: Provision for impairment	(50,755)	(70,424)
Investments in equity capital, net	**240,627**	**228,387**

During the year, the Bank has written off certain impaired equity capital investments having a carrying value of ID 19.7 million against the related provision.

The movements in equity capital investments for the years ended 30 Dhul Hijjah are summarized as follows:

(In Thousands of Islamic Dinars)

	1423H	1422H
Balance at the beginning of the year	228,387	169,183
Change in accounting policies with respect to impairment provision	-	51,581
Fair value adjustment	4,379	69
Additions during the year	7,861	7,554
Balance at the end of the year	**240,627**	**228,387**

13. EXPORT FINANCING SCHEME

Export Financing Scheme (the "Scheme") is a special fund established under Article 22 of the Articles of Agreement of the Bank and pursuant to the decision taken by the Board of Governors in their annual meeting held in 1406H. The objective of the Scheme is to promote the export of non-traditional goods, especially inter-trade of goods originating from the participating countries.

The Bank has contributed ID 75 million (56.5% of the paid-up capital) to the capital of the Scheme. The subscribed capital of the Scheme at 30 Dhul Hijjah 1423H is ID 317 million (1422H - ID 317 million) and the called-up instalments at 30 Dhul Hijjah 1423H are ID 158.50 million (1422H - ID 158.25 million) of which ID 0.25 million were paid during the year (1422H - ID 0.25 million).

14. ISLAMIC BANKS' PORTFOLIO FOR INVESTMENT AND DEVELOPMENT

Islamic Banks' Portfolio for Investment and Development (the "Portfolio") is a trust fund established within the framework of Article 23 of the Articles of Agreement of the Bank and pursuant to the Memorandum of Understanding signed by the Islamic banks in Istanbul on 27 Rajab 1407H (27 March 1987). The objective of the Portfolio is to mobilize the liquidity available with Islamic banks and financial institutions and the savings of individual investors, and channel them to finance trade of Islamic countries in accordance with the principles of Shari'ah.

The authorized capital of the Portfolio is split into fixed (initial) capital and variable (subsequent) capital. The authorized fixed capital is US$ 100 million, of which the Bank holds US$ 49.67 million (1422H - US$ 49.67 million). The authorized variable capital is US$ 280 million and is called and repaid according to specific projects identified for financing by the Portfolio. The Bank's investment in the capital of the Portfolio at 30 Dhul Hijjah is as follows:

	1423H		
	Subscribed amount	**Paid-up amount**	
	US$ thousands	**US$ thousands**	**ID thousands**
Fixed capital	49,674	49,674	39,699
Variable capital	177,000	-	-
Total	226,674	49,674	39,699
	1422H		
Fixed capital	49,674	49,674	39,699
Variable capital	177,000	14,616	11,506
Total	**226,674**	**64,290**	**51,205**

As per the Portfolio's regulations, the Bank has undertaken to purchase the fixed capital of the Portfolio from other member banks and financial institutions if offered for sale up to a maximum of 50% of such shares at the book value of those shares at the date of sale.

The Bank manages the Portfolio as a Mudarib. The Muradib fee payable to the Bank is 7.5% of income before Mudarib's share. However, if the return on equity exceeds 1% of the three-year average of 12 months LIBOR, the Mudarib fee is 10% of income before Mudarib's share.

The Bank makes advances to and receives repayments from operations on behalf of the special and trust funds. Compensation is paid based on the average earnings on investment in short-term commodity transactions and on deposits for the period during which any amount is outstanding.

15. ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

Islamic Corporation for the Development of the Private Sector (the "Corporation") is an international specialized institution established pursuant to the Articles of Agreement signed and ratified by its members. The Corporation commenced operations following the inaugural meeting of the General Assembly held on 6 Rabi Thani 1421H (8 July 2000). According to the Articles of Agreement establishing the Corporation, the objective of the Corporation is to promote, in accordance with the principles of Shari'ah, the economic development of its member countries by encouraging the establishment, expansion and modernization of private enterprises producing goods and services in such a way as to supplement the activities of the Bank. As of 30 Dhul Hijjah 1423H and 1422H, the Bank owns 93% of the paid-up capital of the Corporation.

16. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1423H	**1422H**
Accrued income from deposits	3,931	8,582
Accruals from projects	19,163	18,289
IDB Group current accounts	43,899	4,771
Staff loans and advances	11,692	16,312
Prepayments and other assets	7,718	8,103
Total	**86,403**	**56,057**

17. PROPERTY AND OPERATING EQUIPMENT, NET

Property and operating equipment at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	Land	**Buildings**	**Furniture, equipment and vehicles**	**Total**
Cost At 1 Muharram 1423H	13,043	103,843	22,254	139,140
Additions during the year	-	24	1,521	1,545
Disposals during the year	-	-	(53)	(53)
	13,043	103,867	23,722	140,632
Less share of assets allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1423H	-	(31,843)	(4,515)	(36,358)
Allocations during the year	-	(2)	(698)	(700)
	-	(31,845)	(5,213)	(37,058)
At 30 Dhul Hijjah 1423H	**13,043**	**72,022**	**18,509**	**103,574**

(In Thousands of Islamic Dinars)

	Land	Buildings	Furniture, equipment and vehicles	Total
Accumulated depreciation: At 1 Muharram 1423H	-	31,536	20,073	51,609
Charge for the year	-	2,301	1,086	3,387
Disposals during the year	-	-	(40)	(40)
	-	33,837	21,119	54,956
Less share of accumulated depreciation allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1423H	-	(6,620)	(4,019)	(10,639)
Allocations during the year	-	(796)	(299)	(1,095)
	-	(7,416)	(4,318)	(11,734)
At 30 Dhul Hijjah 1423H	-	26,421	16,801	43,222
Net book value: 30 Dhul Hijjah 1423H	13,043	45,601	1,708	60,352
30 Dhul Hijjah 1422H	13,043	47,084	1,685	61,812

Included in property and operating equipment is an amount of ID 13 million that represents the value of land donated to the Bank by the Government of the Kingdom of Saudi Arabia. The land was recorded at its estimated market value at the time of donation (see Note 21).

The cost of the Bank's permanent headquarters building was funded out of the Bank's ordinary resources and out of Special Assistance Accounts Resources. The cost and depreciation of the permanent headquarters building and related furniture and equipment was split according to the following proportions:

The Bank - Ordinary Capital Resources	65%
Special Account Resources Waqf Fund	35%

Also, a portion of other equipment cost and related depreciation is charged to Islamic Research and Training Institute and Special Assistance Administration, which are part of Special Account Resources Waqf Fund.

18. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Investment deposits	94,943	91,803
Interfund payables	19,826	51,310
Accruals	18,735	14,383
Other liabilities	88,459	38,215
Total	**221,963**	**195,711**

Investment deposit scheme

The Bank operates the investment deposit scheme to provide investors with an Islamic alternative for making short-term investments through participation in the financing of the Bank. The funds are intended to supplement the Bank's own resources and are restricted for investment in the financing of foreign trade.

Deposits that are accepted in Islamic Dinars, US Dollars and Saudi Riyals earn the same nominal rate of return.

Funds of ID 36.7 million at 30 Dhul Hijjah 1423H (1422H - ID 33.1 million) relating to the Bank's staff retirement and medical plan are invested in the investment deposit scheme.

19. RETIREMENT BENEFITS

The Bank has a defined Staff Retirement Plan that covers substantially all of its staff. In addition, the Bank provides medical retirement benefits for eligible active retired staff through its Post-Employment Medical Scheme.

(a) Staff Retirement Plan

The main features of the plan are: (i) normal retirement age is the 60th anniversary of the participant's birth; (ii) on retirement the eligible retired employee is entitled to 2.5% of the highest average remuneration (basic salary plus cost of living allowance) for each year of pensionable service.

The following table summarizes the cost of benefits associated with the Staff Retirement Plan for the year ended 30 Dhul Hijjah:

(In Thousands of Islamic Dinars)
(In Thousands of Islamic Dinars)

	1423H	1422H
Current service cost	4,352	4,788
Present value adjustment	3,819	4,276
Expected return on plan assets	(2,936)	(3,728)
Net periodic pension cost	5,235	5,336
Actual (loss) return on plan assets	**(3,598)**	**5,224**

The following table summarizes the benefit obligations and plan assets at 30 Dhul Hijjah:

(In Thousands of Islamic Dinars)

	1423H	1422H
Benefit obligations	(81,106)	(76,389)
Fair value of plan assets	65,617	65,246
Plan benefit obligations in excess of plan Assets	(15,489)	(11,143)
Unrecognized net actuarial gain from past experience different from that assumed and from changes in assumptions	4,828	1,593
Remaining unrecognized net transition liability	6,841	7,640
Accrued pension cost	**(3,820)**	**(1,910)**

Movement in accrued pension cost during the year ended 30 Dhul Hijjah is as follows:

(In Thousands of Islamic Dinars)

	1423H	1422H
Balance at the beginning of the year	1,910	-
Net periodic pension cost	5,235	5,336
Contributions	(3,325)	(3,426)
	3,820	**1,910**

The actuarial assumptions used are based on financial market rates of return, past experience and management's best estimate of the future benefits and economic conditions. Changes in these assumptions will impact future benefit costs and obligations. The assumptions used in determining the expense and benefit obligations are as follows:

(In Thousands of Islamic Dinars)

	1423H	1422H
Discount rate of return	5.0%	5.5%
Expected return on plan assets	4.5%	6.5%
Rate of compensation increase	3.0%	3.0%

(b) Post-Employment Medical Scheme

Effective 1 Muharram 1421H, the Bank established the medical scheme for retirees vide resolution BED/18/10/418 (176) dated 18 Shawwal 1418H. In accordance with the said resolution, the Post- Employment Medical Scheme is to be funded jointly by the Bank and staff at 1% and 0.5%, respectively.

The purpose of the Post-Employment Medical Scheme is to pay a monthly amount to eligible retiree staff towards their medical expenses. The administration of the Post-Employment Medical Scheme is independent of the Staff Retirement Plan and contributions are invested in a similar manner to that of the Staff Retirement Plan under the management of the Pension Investment Management Committee. The monthly entitlements payable for each retiree is computed according to the following formula:

Monthly highest average remuneration x 5 (contribution period) x 0.18%.

The assets and liabilities of the Post-Employment Medical Scheme at 30 Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1423H	1422H
Assets Fair value of investments	1,481	893
Liabilities Benefit obligations	1,439	831
Other liabilities	42	62
Total	**1,481**	**893**

20. PAID-UP CAPITAL

The capital of the Bank at 30 Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Authorized: 1,500,000 shares of ID 10,000 each (1422H - 1,500,000 shares of ID 10,000 each)	15,000,000	15,000,000
Issued: 810,000 shares of ID 10,000 each (1422H - 810,000 shares of ID 10,000 each)	8,100,000	8,100,000
Issued shares not subscribed	(858,940)	(4,039,460)
Subscribed capital	7,241,060	4,060,540
Share capital not yet called	(1,302,950)	(1,302,950)
Instalments not yet due	(3,208,687)	(63,983)
Called-up capital	2,729,423	2,693,607
Instalments paid, not yet due	38	44
Instalments due, not yet paid	(52,098)	(68,336)
Paid-up capital	**2,677,363**	**2,625,315**

At the 26th annual meeting of the Board of Governors held on 8 Shaaban 1422H, it was resolved to increase the authorized share capital of the Bank to ID 15 billion and the subscribed capital to ID 8.1 billion.

21. CAPITAL RESERVE

The capital reserve comprises the estimated value of land and the cost of certain of the Bank's buildings that were donated by the Government of the Kingdom of Saudi Arabia and SR 50 million (ID 9.6 million) received as contribution from the Government of the Kingdom of Saudi Arabia in connection with the construction of the permanent headquarters building.

22. GENERAL RESERVE

In accordance with Section 1 of Article 42 of the Articles of Agreement of the Bank, the annual net income of the Bank is required to be transferred to the general reserve until this reserve equals 25% of the Bank's subscribed capital. Any excess of the net income over the above limit is available for distribution to the member countries.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Cash at banks	40,323	63,392
Commodity placements with banks	793,243	1,069,761
Total	**833,566**	**1,133,153**

24. UNDISBURSED COMMITMENTS

Undisbursed commitments at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Murabaha financing	716,413	811,559
Ijarah assets	538,194	414,587
Instalment sales and Istisna'a assets	1,101,639	768,128
Loans	699,047	559,290
Investments in equity capital	22,968	36,116
Investment in Export Financing Scheme	75,000	75,000
Investment in Islamic Banks' Portfolio for Investment and Development	174,992	129,384
Awqaf Properties Investment Fund	10,853	12,747
Islamic Corporation for the Development of the Private Sector	132,494	185,628
Total	**3,471,600**	**2,992,439**

25. COMMITMENTS AND CONTINGENCIES THROUGH IDB - UNIT INVESTMENT FUND

The Bank's Unit Investment Fund (the "Fund") is a trust fund established under Article 23 of the Articles of Agreement of the Bank. The purpose of the Fund is to participate in the economic development of the member countries through the pooling of the savings of institutions and individual investors, and to invest these savings in producing projects in the said member countries. The Bank has agreed to extend the guarantee to cover all the projects financed by the Fund.

The Fund's management is supervised by an Executive Committee, which is headed by the President of the Bank. The Bank manages the Fund as a Mudarib and charges a Mudarib fee of 10% of the Fund's net income, which is included in the statement of income under Mudarib fees from trust funds.

The Fund has charged the Bank ID 1.29 million for the year ended 30 Dhul Hijjah 1423H in respect of payments on projects purchased from the Bank (1422H - ID 2.17 million). Also, during 1423H, the Bank has charged ID 0.49 million (1422H - ID 0.2 million) to the Fund in respect of rebates on lease and instalment sale projects sold to the Fund in previous years.

The Bank has outstanding guarantees at 30 Dhul Hijjah 1423H of ID 9.96 million (1422H - ID 21.01 million) in respect of projects sold to the Fund and of ID 144 million (1422H - ID 79.58 million) in respect of other operations which are covered by counter guarantees from commercial banks acceptable to the Bank.

26. RELATED PARTY BALANCES

In the ordinary course of its activities, the Bank transacts business with related parties as described in note 1. The terms of these transactions are approved by the Bank's management. The net balances due from (to) IDB group entities at 30 Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1423H		1422H	
	Assets	Liabilities	Assets	Liabilities
Awqaf Properties Investment Fund	-	(921)	-	-
Export Financing Scheme	-	(14,541)	-	(42,482)
Islamic Banks' Portfolio for Investment and Development	-	(216)	1,806	-
IDB - Unit Investment Fund	-	(2,808)	973	-
Islamic Corporation for the Insurance of Investment and Export Credit	535	-	-	(3,032)
Special Account Resources Waqf Fund	41,752	-	-	(4,929)
IDB Pension Fund	-	(1,340)	60	-
IDB Medical Fund	40	-	-	(867)
Organization of Islamic Conference Countries	-	-	831	
Al-Aqsa and Al Quds Fund	253	-	275	-
Islamic Corporation for the Development of the Private Sector	1,319	-	803	-
Total	**43,899**	**(19,826)**	**4,748**	**(51,310)**

27. NET ASSETS IN FOREIGN CURRENCIES

The net assets in foreign currencies (in thousands of ID equivalent) at 30 Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1423H	1422H
United States Dollar	972,320	1,003,386
Euro	516,184	610,797
Pound Sterling	200,366	288,730
Japanese Yen	142,586	175,311
Other currencies	170,950	138,814

28. ASSETS AND LIABILITIES ACCORDING TO THEIR RESPECTIVE MATURITY PERIODS OR EXPECTED PERIODS TO CASH CONVERSION

(In Thousands of Islamic Dinars)

	30 Dhul Hijjah 1423H					
	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Total assets	1,076,162	637,798	502,041	418,614	1,486,294	4,120,909
Total liabilities	-	-	-	-	221,963	221,963
	30 Dhul Hijjah 1422H					
Total assets	1,399,784	608,932	481,571	209,280	1,268,850	3,968,417
Total liabilities	-	-	-	-	195,711	195,711

29. CONCENTRATION OF ASSETS

Analysis of assets by economic sector is as follows:

(In Thousands of Islamic Dinars)

	Public utilities	Transport & telecom	Agriculture	Industry & mining	Social services	Others	Total
30 Dhul Hijjah 1423H							
Total assets	621,590	449,078	382,316	219,711	312,353	2,135,861	4,120,909
30 Dhul Hijjah 1422H							
Total assets	493,871	278,429	238,490	207,569	316,304	2,433,754	3,968,417

The geographical locations of assets are as follows:

(In Thousands of Islamic Dinars)

	Member countries				
	Asia	Africa	Europe	Non member countries	Total
30 Dhul Hijjah 1423H					
Total assets	2,598,244	855,771	238,288	428,606	4,120,909
30 Dhul Hijjah 1422H					
Total assets	2,477,462	778,708	120,634	591,613	3,968,417

The geographical locations of assets reflect the countries in which the beneficiaries of the assets are located.

30. ZAKAT AND TAX TREATMENT

Since the Bank's equity is part of Baitul Mal (public money), it is not subject to Zakat or tax.

31. COMPARATIVE AMOUNTS

Certain prior year amounts have been reclassified to conform with the current year's presentation.

ERNST & YOUNG
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Saudi Arabia

AL JURAID & COMPANY
Member Firm of PricewaterhouseCoopers
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Jeddah 21464
Saudi Arabia

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

FINANCIAL STATEMENTS
30 Dhul Hijjah 1423H (3 March 2003)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

30 Dhul Hijjah 1423H (3 March 2003)

CONTENTS

	Page
Auditors' Report	204
Statement of Financial Position	205
Statement of Activities	206
Statement of Cash Flows	207
Statement of Changes in Resources	208
Notes to the Financial Statements	209-218

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AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of financial position of Islamic Development Bank - Special Account Resources Waqf Fund (the "Waqf Fund") as of 30 Dhul Hijjah 1423H (3 March 2003) and the related statements of activities, cash flows and changes in resources for the year then ended. These financial statements and the Waqf Fund's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Waqf Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Special Account Resources Waqf Fund as of 30 Dhul Hijjah 1423H (3 March 2003), and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

We also note that the Waqf Fund has followed other accounting standards with respect to accounting measurement, recognition, presentation and disclosure matters not covered by the AAOIFI standards, which are disclosed in Note 2 (a).

For ERNST & YOUNG

Dr. Abdullah A. Baeshen
Registration No. 66

For AL JURAID & COMPANY

Penrhyn Wilson III
Registration No. 182

16 Rabi Thani 1424H
16 June 2003

PROFESSIONAL LICENCE No 45
ERNST & YOUNG

AL JURAID & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
LICENCE No 25

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF FINANCIAL POSITION
30 Dhul Hijjah 1423H (3 March 2003)
(In Thousands of Islamic Dinars)

	Notes	1423H	1422H
ASSETS			
Cash at banks		27,380	12,783
Fixed deposits with banks		235,842	226,543
Loans, net	3	80,434	59,508
Murabaha and other funds, net	4	106,584	137,405
Managed investments	5	364,995	321,375
Investments in IDB - Unit Investment Fund:	6		
Specific deposit		9,964	21,018
Investments in units		65,202	38,646
Investment in Islamic Corporation for the Insurance of Investment and Export Credit	7	60,433	61,799
Other investments		3,090	1,043
Accrued income and other assets		6,886	11,900
Receivable from IDB - Ordinary Capital Resources	17	-	4,177
Property and equipment, net	8	25,452	25,895
TOTAL ASSETS		**986,262**	**922,092**
LIABILITIES AND RESOURCES			
LIABILITIES			
Payable to IDB - Ordinary Capital Resources	17	41,752	-
Accruals and other liabilities	14	22,973	6,129
Specific deposit from IDB - Unit Investment Fund	6	21,032	34,332
Total liabilities		85,757	40,461
RESOURCES			
Waqf Fund principal amount	9	728,769	712,332
Special assistance	10	76,430	83,391
Special account for least developed member countries	11	95,306	85,908
Total resources		900,505	881,631
TOTAL LIABILITIES AND RESOURCES		**986,262**	**922,092**

The attached notes from 1 through 21 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF ACTIVITIES
For the Year Ended 30 Dhul Hijjah 1423H (3 March 2003)
(In Thousands of Islamic Dinars)

	Notes	1423H	1422H
Income from:			
Cash at banks and fixed deposits with banks		5,863	6,045
Murabaha and other funds	4	2,695	9,494
Profit on managed investments	5	43,583	5,586
Specific deposits with IDB - Unit Investment Fund	6	(47)	(861)
IDB - Investments in units	6	1,863	2,730
Investment in Islamic Corporation for the Insurance of Investment and Export Credit (ICIIEC)	7	(1,366)	483
Foreign currency exchange gains		(7,574)	743
Total income		45,017	24,220
Expenses:			
Staff cost		(452)	(424)
Other		(1,088)	(898)
Total expenses		(1,540)	(1,322)
Net income		**43,477**	**22,898**
Attributable to:			
Waqf Fund principal amount	2 (l)	15,216	8,014
Special assistance	2 (l)	19,565	10,304
Special account for least developed member countries	2 (l)	8,696	4,580
		43,477	22,898

The attached notes from 1 through 21 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CASH FLOWS
For the Year Ended 30 Dhul Hijjah 1423H (3 March 2003)
(In Thousands of Islamic Dinars)

	1423H	1422H
Cash flows from operating activities:		
Net income	43,477	22,898
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,149	1,085
Provision for impairment of loans	-	909
Provision for impairment of Murabaha and other funds	-	694
Gain on investment in ICIIEC	-	(483)
Changes in operating assets and liabilities:		
Loans	(20,926)	6,325
Murabaha and other funds	30,821	102,067
Managed investments	(43,620)	26,194
Accrued income and other assets	5,014	(3,475)
Accruals and other liabilities	16,844	(9,494)
Net cash provided by operations	32,759	146,720
Cash flows from investing activities:		
IDB - Unit Investment Fund:		
Specific deposit	11,054	17,030
Investments in units	(26,556)	1,966
Investment in ICIIEC	1,366	-
Other investments	(2,047)	-
Specific deposit from IDB - Unit Investment Fund	(13,300)	(16,710)
Additions to property and equipment	(706)	(319)
Special Assistance Program expenses	(7,579)	(12,205)
Net cash used in investing activities	(37,768)	(10,238)
Cash flows from financing activities:		
Change in receivable from /(payable to) IDB - Ordinary Capital Resources	45,929	(32,443)
Income transferred from IDB - Ordinary Capital Resources	3,511	1,052
Net grants for causes and contribution from Islamic Development Bank for technical assistance grants from Special Assistance Account	(20,535)	(26,530)
Net cash provided by (used in) financing activities	28,905	(57,921)
Net change in cash and cash equivalents	23,896	78,561
Cash and cash equivalents at beginning of year (Note 13)	239,326	160,765
Cash and cash equivalents at end of year (Note 13)	263,222	239,326
SUPPLEMENTAL INFORMATION OF NON-CASH ITEMS:		
Adoption of accounting policies resulting in:		
Adjustments to provision for impairment of loans	-	(5,241)
Adjustments to investment in ICIIEC	-	11,316

The attached notes from 1 through 21 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CHANGES IN RESOURCES
For the Year Ended 30 Dhul Hijjah 1423H (3 March 2003)
(In Thousands of Islamic Dinars)

		1423H	1422H
Waqf Fund principal amount resources: Balance at beginning of year		712,332	699,989
Effect of adopting accounting policy with respect to investment in ICIIEC		-	3,961
Attributable net income for the year		15,216	8,014
Share of income transferred from IDB - Ordinary Capital Resources	12	1,221	368
Balance at end of year		728,769	712,332
Special assistance resources: Balance at beginning of year		83,391	111,500
Effect of adopting accounting policy with respect to: Investment in ICIIEC		-	5,092
Provision for impairment of loans		-	(5,241)
Attributable net income for the year		19,565	10,304
Share of income transferred from IDB - Ordinary Capital Resources	12	1,588	471
Grants for causes, net	10	(24,182)	(27,073)
Program expenses		(7,579)	(15,659)
Contribution from Islamic Development Bank for technical assistance grants		3,647	3,997
Balance at end of year		76,430	83,391
Special account for least developed member countries resources: Balance at beginning of year		85,908	78,852
Effect of adopting accounting policy with respect to investment in ICIIEC		-	2,263
Attributable net income for the year		8,696	4,580
Share of income transferred from IDB - Ordinary Capital Resources	12	702	213
Balance at end of year		95,306	85,908
Total resources		900,505	881,631

The attached notes from 1 through 21 form an integral part of these financial statements

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
NOTES TO FINANCIAL STATEMENTS
30 Dhul Hijjah 1423H (3 March 2003)

1. INCORPORATION AND ACTIVITIES

The Islamic Development Bank (the "Bank") Special Account Resources Waqf Fund (the "Waqf Fund") was established on 1 Muharram 1418 based on the Board of Governors' Resolution No. BG/3-417. At that date, the entire uncommitted assets of the Special Account of the Bank were transferred to the Waqf Fund.

The Governors' Resolution, as subsequently amended by BG/4-420 and BED/28/12/(192)/195, also stated that a certain percentage of the income for the Waqf Fund resources and the same percentage of the banking returns from the Bank's investments in the international market shall be transferred to the principal amount of the Waqf Fund until it reaches one thousand million Islamic Dinars. At such time, the Board of Governors shall, upon recommendation of the Board of Executive Directors, determine the purpose for which the amounts in excess of one thousand million Islamic Dinars shall be used. Such percentage will be reviewed each year on the basis of annual income earned for that year (See Notes 2 (l) and 12).

In 1417, the Special Accounts of the Islamic Development Bank - Ordinary Capital Resources ("IDB - OCR") consisted of the Special Reserve, Special Assistance and Special Account for Least Developed Member Countries. On 1 Muharram 1418, the balances of these accounts in the books of IDB - OCR as of 29 Dhul Hijjah 1417 together with the related assets and liabilities were transferred to the Special Account Resources Waqf Fund. The balance of Special Reserve Account has been taken as the uncommitted resources of the Special Accounts and forms the balance of the Waqf Fund principal amount at 1 Muharram 1418. The balances of the Special Assistance and Special Account for Least Developed Member Countries have been taken as committed resources of the Special Accounts and have been transferred to the Waqf Fund, but do not form part of the Waqf Fund principal amount. All assets of the Waqf Fund are commingled and are not distinguished between the Waqf Fund principal amount and the other committed resources of the Waqf Fund (see Note 20).

The Waqf Fund is managed in accordance with its regulations by the Bank through a Board of Trustees. The regulations provide that the Bank's Board of Executive Directors shall be the Board of Trustees. Its business activities are carried out through the Bank's headquarters in Jeddah, Saudi Arabia.

The financial statements of the Waqf Fund are expressed in thousands of Islamic Dinars. Islamic Dinar (ID) is the unit of account of the Waqf Fund and is equal to one Special Drawing Right (SDR) of International Monetary Fund.

The title of assets recorded in the financial statements as Waqf Fund assets is held with the Bank.

As a fund of the Bank (an international institution), the Waqf Fund is not subject to an external regulatory authority.

The Waqf Fund's financial year is the lunar Hijjra year.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). For matters for which no AAOIFI standard exist, the Bank uses the relevant International Accounting Standard.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available-for-sale investments..

(b) Translation of currencies

Transactions in currencies other than the Islamic Dinar are recorded at the exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Islamic Dinars on the basis of SDR rates declared by International Monetary Fund at the date of the statement of financial position. Foreign currency exchange gains and losses are included in the statement of activities.

(c) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits with banks having maturity of three months or less at the date of acquisition.

(d) Revenue recognition

1. Loans

Loans, which are disbursed from the Waqf Fund resources, are income free, except for a service fee calculated to recover part of the administrative costs of the loans. The loans are administered by IDB - OCR and the service fees charged are included as part of its income.

2. Murabaha and other funds

Income from investments in Murabaha and other funds is accrued on a time apportionment basis over the period from the date of actual disbursement of funds to the scheduled repayment date of instalment.

3. Fixed deposits with banks

Return on deposits with banks is accrued evenly over the period of the deposits.

4. Managed investments

Changes in the market value of managed investments are recorded as gains or losses in the statement of activities.

(e) Loans

Loans represent amounts disbursed in respect of projects plus loan service fees due, less repayments received relating to the outstanding capital portion of the loan as determined by the loan agreement. The accounting policy with regards to the provision for impairment is further discussed in Note 2m.

(f) Murabaha and other funds

Investments in Murabaha and other funds are stated at cost, less provision for impairment. The accounting policy with regards to the provision for impairment is further discussed in Note 2m.

(g) Managed investments

Managed investments are stated at market value with unrealized gain or loss included in income.

(h) Investments in IDB - Unit Investment Fund

Investments in IDB - Unit Investment Fund are recorded at market value with unrealized gain or loss included in income.

(i) Investment in ICIIEC

Investment in ICIIEC is not consolidated because the control of ICIIEC does not rest with the Waqf Fund. Accordingly, this investment is accounted for on the equity method.

(j) Property and equipment

The Waqf Fund is allocated 35% of the costs and depreciation of the IDB headquarters buildings and relevant furniture and equipment. Also, the Waqf Fund owns certain property and equipment through the Islamic Research and Training Institute (IRTI) and other programs. All these assets are depreciated using the straight-line method over the following periods:

Permanent headquarters buildings	40 years
Pre-fabricated buildings	6 2/3 years
Furniture and equipment	4 to 10 years

In the year of acquisition, additions are depreciated at 50% of the normal rate. Maintenance and repair costs are expensed as incurred.

(k) Income allocated by IDB - OCR

Income on IDB balances with banks (conventional investments) and other investments balances, which are considered by IDB management to be forbidden by Shari'ah, are not included in the income statement of IDB - OCR but are transferred by IDB to the Waqf Fund in accordance with the Board of Governors' Resolutions No. BG/3-417 and BG/4-420.

According to the Board of Governors' resolution No. BG/3-421, and Board of Executive Directors' resolution No. BED/13/10/421(197)/113, US$ 5.0 million (ID 3.99 million) were allocated from the net income of 1421H for the financing of 1422H Technical Assistance Operations in the form of grants. A similar amount in US dollar was allocated from the 1422H net income of IDB - OCR in accordance with the Board of Governors' resolution No. BG/100/422, and the Board of Executive Directors' resolution No. BED/BG/120/422 for the financing of 1423H Technical Assistance Operations in the form of grants.

(l) Allocation of Waqf Fund income

As stipulated in the Waqf Fund's regulations, the net income of the Waqf Fund is allocated to the Waqf Fund Resources as follows:

	1423H	1422H
Waqf Fund principal	35%	35%
Special Assistance	45%	45%
Special Account for Least Developed Member Countries	20%	20%

The allocation of percentage of income from the Waqf Fund resources is reviewed each year on the basis of annual income earned for that year.

(m) Impairment of financial assets

Impairment of receivables from operations (loans and Murabaha and other funds):

The Waqf Fund determines the provision for operations based on an assessment of collectibility risks in the total receivable from operations portfolio. The provision is periodically adjusted based on a review of the prevailing circumstances. The portfolio impairment is based on country risk ratings and long-term historical experience of the Waqf Fund.

Adjustments to provision are recorded as a charge or addition to income. In order to determine the adequacy of provision, the Waqf Fund considers the net present value of expected future cash flows discounted at the financial instruments' implicit rate of return.

Impairment of other financial assets:

An assessment is made at the date of the statement of financial position to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and its fair value.

For financial assets at amortized cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of activities.

For financial assets at fair value, any fair value adjustments is recognized directly under statement of resources account.

(n) Reclassification

Certain amounts in the 1422H financial statements have been reclassified to conform with the 1423H presentations.

3. LOANS

Loans at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Loans	86,584	65,658
Provision for impairment	(6,150)	(6,150)
Loans, net	80,434	59,508

During 1422H, the Waqf Fund changed its accounting policy which resulted in a provision for impairment of ID 6.1 million, of which ID 5.2 million was charged to the special assistance resources and ID 0.9 million was charged to program expenses under the special assistance resources.

4. MURABAHA AND OTHER FUNDS

The Board of Executive Directors of the Bank approved the allocation of US $ 250 million (ID 185.3 million) to be invested in syndicated and co-financed Murabaha, instalment sale and leasing operations through Islamic Banks' Portfolio for Investment and Development (the "Portfolio"), a trust fund of the Bank. The Portfolio is acting as Mudarib for the Bank and is entitled to an agreed management fee. The amounts invested by the Waqf Fund at 30 Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1423H	1422H
Syndicated Murabaha and other funds	83,485	106,231
Murabaha and equity funds	23,793	31,868
	107,278	138,099
Less: Provision for impairment	(694)	(694)
Murabaha and other funds, net	106,584	137,405

5. MANAGED INVESTMENTS

The Bank placed funds with external portfolio managers. The portfolios are operated by investing in international bonds and security markets according to the guidelines agreed between the Bank and the portfolio managers. The details of the portfolios at 30 Dhul Hijjah are as follows:

	1423H	1422H
Balance at beginning of year	321,375	347,569
Closing of a self-managed account	-	(31,839)
Income from securities and deposits	14,400	14,957
Realized capital gains, net	2,559	8,153
Unrealized capital gains (losses), net	28,951	(16,629)
Foreign currency exchange difference	(2,290)	(836)
Balance at end of year	364,995	321,375

The assets of the portfolios at 30 Dhul Hijjah are represented by:

	1423H	1422H
Securities at market value	360,039	326,043
Brokers' balances, net	1,815	(12,822)
Call accounts	(1,299)	4,073
Accrued income	4,440	4,081
Total	364,995	321,375

6. IDB - UNIT INVESTMENT FUND

Investment in units

IDB - Unit Investment Fund ("UIF") is a trust fund established under Article 23 of the Articles of Agreement of the Bank. The purpose of the Fund is to participate in the economic development of member countries through the pooling of the savings of institutions and individual investors, and to invest these savings in producing projects in the said member countries. The units of UIF are quoted on the Bahrain stock exchange and the Bank supports the market in these units by agreeing to purchase units available for sale in the market.

Specific deposit

The Bank had assigned in prior years certain of its lease and instalment sales contracts denominated in ID to the Waqf Fund. In order to mitigate any foreign currency risk on the Waqf Fund's receivables relating to these contracts, the Bank had placed in 1412 a deposit in ID and simultaneously the Waqf Fund invested with the Bank an equivalent value deposit in US Dollars. These deposits have been invested on a rollover basis for hedging against the Waqf Fund's ID assets. The rates of return on those deposits are negotiated on a six monthly basis and are in line with the return earned by the Bank on ID deposits for identical maturities.

7. INVESTMENT IN ICIIEC

ICIIEC was established on 1 August 1994 as a subsidiary of the Bank. It is an international institution with full judicial personality and commenced operations in July 1995. The objective of ICIIEC is to enlarge the scope of trade transactions and the flow of investments among member countries of the Organization of the Islamic Conference by providing: a) export credit insurance to cover the non-payment of export receivables; and b) investment insurance against country risks.

The authorized capital of ICIIEC is ID 100 million, divided into 100,000 shares of ID 1,000 each. The Bank has subscribed in and paid for 50,000 shares. The subscribed capital of ICIIEC at 30 Dhul Hijjah 1423H and 1422H is ID 94.9 million with called-up instalments of ID 72.5 million, of which ID 70.4 million were paid.

The movements in the investment in ICIIEC for the years ended 30 Dhul Hijjah are summarized as follows:

(In Thousands of Islamic Dinars)

	1423H	1422H
Balance at beginning of year	61,799	50,000
Effect of change in accounting policy	-	11,316
(Loss) gain on investment	(1,366)	483
Balance at end of year	60,433	61,799

8. PROPERTY AND EQUIPMENT

The cost of the permanent headquarters building and other related furniture and equipment was financed out of the Bank's ordinary capital resources and out of Special Assistance Accounts resources. The cost of the property and equipment and its related depreciation were split according to the following proportions:

IDB - Ordinary Capital Resources	65%
Special Accounts Resources Waqf Fund	35%

At 1 Muharram 1418H, the Bank transferred 35% of such property and equipment to the Waqf Fund. Such assets, together with other assets owned by IRTI and other programs, at 30 Dhul Hijjah are comprised of the following:

	1422H	Additions/transfers	1423H
Cost			
Building	34,434	2	34,436
Furniture and equipment	5,627	704	6,331
Balance at 30 Dhul Hijjah	40,061	706	40,767
Accumulated depreciation Building	9,211	796	10,007
Furniture and equipment	4,955	353	5,308
Balance at 30 Dhul Hijjah	14,166	1,149	15,315
Net book value at 30 Dhul Hijjah	25,895		25,452

9. WAQF FUND PRINCIPAL AMOUNT

Waqf Fund principal amount represents uncommitted resources of Special Assistance Accounts (represented by the Special Reserve of ID 623.7 million at 29 Dhul Hijjah 1417H) transferred at 1 Muharram 1418H from IDB - OCR. As per the Waqf Fund's Regulations, a certain percentage of the total income of the Waqf Fund is allocated every year until the principal amount reaches one thousand million Islamic Dinars. The principal amount shall be held and maintained in perpetuity and shall not be utilized.

10. SPECIAL ASSISTANCE

At 1 Muharram 1418H, the Special Assistance resources were transferred to the Waqf Fund from IDB - OCR, and are to be used for the purposes set out in the Board of Governors' Resolutions No. BG/14-99 and BG/3-402, as follows:

(a) Training and research for member countries to re-orient their economies, financial and banking activities in conformity with the Islamic Shari'ah,
(b) Provision of relief for natural disasters and calamities,
(c) Provision to member countries for the promotion and furtherance of Islamic causes,
(d) Provision towards the special account for technical assistance.

The Board of Executive Directors has made certain commitments to make disbursements to support the above-mentioned causes.

The Bank created IRTI, which is an international organization devoted to technical research and training. IRTI was formed pursuant to Article 2 of the Articles of Agreement of the Bank and became operational in 1403H. The President of the Bank is also the President of IRTI and the Board of Executive Directors of IDB is its supreme policy making body. Since 1 Muharram 1418H, the entire activities of IRTI are financed out of the Waqf Fund resources and are included as part of the program expenses of the Special Assistance accounts in these financial statements.

The following amounts were distributed as grants from the Waqf Fund during the years ended 30 Dhul Hijjah as part of the activities of the Special Assistance accounts pursuant to its above-mentioned objectives:

(In Thousands of Islamic Dinars)

	1423H	1422H
Relief against natural disasters and calamities	2,360	1,771
Assistance for Islamic causes	11,536	14,777
Technical assistance grants	5,296	3,966
Technical cooperative program	1,511	1,562
Scholarship program	3,430	4,238
Contribution to Accounting Standards Board for Islamic banks	225	197
	24,358	26,511
Add (less) net balance on activities in: Sacrificial Meat Program	(176)	562
Total	**24,182**	**27,073**

11. SPECIAL ACCOUNT FOR LEAST DEVELOPED MEMBER COUNTRIES

The Board of Governors, through their Resolution number BG/6-413, established a Special Account for the least developed member countries with an initial amount of US$ 100 million. Since 1 Muharram 1418, the account has been included as part of the Waqf Fund. 20% of the total annual income of the Waqf Fund is required to be transferred to this Special Account.

12. SHARE OF INCOME TRANSFERRED FROM IDB ORDINARY CAPITAL RESOURCES

Income from balances with banks and other assets recorded in the books of IDB - OCR, which are considered by management of the Bank as forbidden by Shari'ah, are not included in the income statement of the Bank but are transferred to the Waqf Fund and allocated in accordance with the Board of Governors' resolution number BG/3-417. The amounts transferred during the years ended 30 Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1423H	1422H
Return on deposits with other banks	2,820	221
Return on call accounts	691	831
Total	**3,511**	**1,052**

The Bank's Shari'ah advisers have ruled that the investment in companies that deal with interest bearing methods of finance is not permissible under Shari'ah. The Bank's management is reviewing its equity participation portfolio and the cumulative income arising from such companies.

The allocation of the income transferred from IDB - OCR to the Waqf Fund's resources during the years ended 30 Dhul Hijjah is as follows:

(In Thousands of Islamic Dinars)

	1423H	1422H
Waqf Fund principal amount	1,221	368
Special assistance	1,588	471
Special account for least developed member countries	702	213
Total	**3,511**	**1,052**

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Cash at banks	27,380	12,783
Fixed deposits with banks	235,842	226,543
Total	**263,222**	**239,326**

14. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at 30 Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1423H	1422H
Accruals for sacrificial meat program expenses	15,082	-
Excess pilgrim contribution	3,793	3,792
Contribution for Bosnia Fund	2,768	2,207
Accrued staff-related expenses	1,330	130
Total	**22,973**	**6,129**

15. UNDISBURSED COMMITMENTS

Undisbursed commitments at 30 Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1423H	1422H
(a) For disbursements to causes: Relief against natural disasters and calamities	11,325	14,439
Assistance for Islamic causes	70,743	72,861
Loans to Least Developed Member Countries (LDMC)	61,005	60,630
Special loans	4,068	3,418
Technical assistance grants	18,459	17,946
Sacrificial Meat program	13,265	-
Scholarship program	8,760	14,704
Islamic universities waqf	-	9,560
	187,625	193,558
(b) Investments in funds through the Portfolio	111,729	92,940
Total	**299,354**	**286,498**

16. NET ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The net assets and liabilities of the Waqf Fund in foreign currencies (converted into IDs) are as follows:

	1423H	1422H
United States Dollar	314,553	424,313
Euro	255,870	109,094
Japanese Yen	87,570	64,933
Pound Sterling	85,197	46,322
Other currencies	41,107	85,569

17. RELATED PARTY TRANSACTIONS

During the ordinary course of its business, the Waqf Fund has certain transactions with IDB - OCR relating to investments and realization of investments made through the inter-fund account between the Waqf Fund and the Bank. The balance due to IDB - OCR at 30 Dhul Hijjah 1423H is ID 41.7 million (1422H - Due from IDB - OCR of ID 4.2 million).

18. ASSETS AND LIABILITIES ACCORDING TO THEIR RESPECTIVE PERIODS TO MATURITY OR EXPECTED PERIODS TO CASH CONVERSION

	30 Dhul Hijjah 1423H					
	Maturity period determined					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity period not determined	Total
Assets	269,826	30,992	144,831	401,310	139,303	986,262
Liabilities	85,757	-	-	-	-	85,757

	30 Dhul Hijjah 1422H					
	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets	280,745	46,672	83,909	395,817	114,949	922,092
Liabilities	6,129	23,290	11,042	-	-	40,461

19. CONCENTRATION OF ASSET RISKS

Economic sectors:

All operations of the Waqf Fund are receivable in respect of social sector financing. All investments are invested in accordance with criteria set out by management to ensure that the investee institutions have a credit rating acceptable to the management of the Waqf Fund or are in accordance with furthering the aims and objectives of the Bank.

The geographical locations of assets and liabilities of the Waqf Fund at 30 Dhul Hijjah are as follows:

	1423H				
	Member countries			Non-member countries	Total
	Asia	Africa	Europe		
Assets	266,269	117,065	13,899	589,029	986,262
Liabilities	85,757	-	-	-	85,757
	1422H				
	Member countries			Non-member countries	Total
	Asia	Africa	Europe		
Assets	345,195	77,495	61,730	437,672	922,092
Liabilities	38,156	2,305	-	-	40,461

The geographical locations of assets and liabilities for 1423H and 1422H reflect the countries in which the beneficiaries of the assets are located.

20. COMMINGLING OF ASSETS

The management of the Waqf Fund has reviewed the commingling of the assets of the Waqf Fund principal amount, Special Assistance and Special Account for LDMC as presented in these financial statements. The management has taken the advice of the Bank's legal counsel and is of the opinion that the presentation set out in these financial statements is in accordance with the requirements of the regulations of the Waqf Fund.

21. ZAKAT AND TAX TREATMENT

Since the Waqf Fund's resources are part of Baitul Mal (public money), the Waqf Fund is not subject to Zakat or tax.

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ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME

FINANCIAL STATEMENTS
30 Dhul Hijjah 1423H (3 March 2003)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
30 Dhul Hijjah 1423H (3 March 2003)

CONTENTS

	Page
Auditors’ Report	221
Statement of Financial Position	222
Statement of Income	223
Statement of Cash Flows	223
Statement of Changes in Participants’ Equity	224
Notes to Financial Statements	225-231

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AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of financial position of Islamic Banks' Portfolio for Investment and Development (the "Portfolio") as of 31 December 2002 and the related statements of income, cash flows and changes in fixed and variable capital funds for the year then ended. These financial statements and the Portfolio's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Banks' Portfolio for Investment and Development as of 31 December 2002, and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

We also note that the Portfolio has followed other accounting standards with respect to accounting measurement, recognition, presentation and disclosure matters not covered by the AAOIFI standards, which are disclosed in Note 2 (a).

For ERNST & YOUNG

Dr. Abdullah A. Baeshen
Registration No. 66

For AL JURAID & COMPANY

Penrhyn Wilson III
Registration No. 182

16 Rabi Thani 1424H
16 June 2003

ERNST & YOUNG
PROFESSIONAL LICENCE No. 66

AL JURAID & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
LICENCE No 25

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF FINANCIAL POSITION
30 Dhul Hijjah 1423H (3 March 2003)
(In thousands of Islamic Dinars)

	Notes	1423H	1422H
ASSETS			
Cash at banks	3	5,781	7,025
Shari'ah and commodity placements with banks	4	110,673	49,428
Receivable from operations: Murabaha financing	5	115,359	145,565
Less: Provision for operation risks	5	(7,457)	(7,457)
Receivable from operations, net		107,902	138,108
Receivable from Islamic Development Bank -			
Ordinary Capital Resources	6	14,541	42,465
Accrued income and other assets		427	385
TOTAL ASSETS		**239,324**	**237,411**
LIABILITIES AND PARTICIPANTS' EQUITY			
LIABILITIES:			
Accruals and other liabilities		1,167	848
Dividends payable		60	60
Total liabilities		1,227	908
PARTICIPANTS' EQUITY:			
Participants' contributions	7	133,748	133,500
Contribution bonus	8	18,023	18,023
General reserve	8	16,020	16,020
Retained earnings		70,306	68,960
Total participants' equity		238,097	236,503
TOTAL LIABILITIES AND PARTICIPANTS' EQUITY		**239,324**	**237,411**

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 16 Rabi Thani 1424H (16 June 2003).

The attached notes from 1 through 15 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF INCOME
For the Year Ended 30 Dhul Hijjah 1423H (3 March 2003)
(In thousands of Islamic Dinars)

	Notes	1423H	1422H
Income from:			
Shari'ah and commodity placements with banks	4	2,531	3,341
Murabaha financing		3,396	10,001
		5,927	13,342
Administrative expenses		(293)	(290)
Exchange (loss)/gain		(4,288)	1,013
Net income		1,346	14,065

The attached notes from 1 through 15 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF CASH FLOWS
For the Year Ended 30 Dhul Hijjah 1423H (3 March 2003)
(In thousands of Islamic Dinars)

CASH FLOWS FROM OPERATIONS	Notes	1423H	1422H
Net income for the year		1,346	14,065
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Changes in operating assets and liabilities:			
Murabaha financing		30,206	4,968
Receivable from / payable to Islamic Development Bank - Ordinary Capital Resources		27,924	(98,337)
Accrued income and other assets		(42)	303
Accruals and other liabilities		319	(801)
Net cash from (used in) operating activities		59,753	(79,802)
CASH FLOWS FROM INVESTING ACTIVITY			
Change in Shari'ah and commodity placements with banks		19,571	68,391
CASH FLOWS FROM FINANCING ACTIVITY			
Change in participants' contributions		248	250
Increase (decrease) in cash and cash equivalents		79,572	(11,161)
Cash and cash equivalents at the beginning of the year	12	8,355	19,516
Cash and cash equivalents at the end of the year	12	87,927	8,355
SUPPLEMENTARY INFORMATION OF NON- CASH ITEM:			
Adoption of accounting policies resulting in adjustments to receivable from operations			4,657

The attached notes from 1 through 15 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF CHANGES IN PARTICIPANTS' EQUITY
For the Year Ended 30 Dhul Hijjah 1423H (3 March 2003)
(In thousands of Islamic Dinars)

	Participants' Contributions	Contribution bonus	General reserve	Retained earnings	Total
Balance at 30 Dhul-Hijjah 1421H as previously reported	133,250	18,023	16,020	59,552	226,845
Effect of change in accounting policy with respect to:					
Operation risks provision (see Note 5)	-	-	-	(4,657)	(4,657)
Balance at 30 Dhul-Hijjah 1421H as restated	133,250	18,023	16,020	54,895	222,188
Increase in participants' contributions	250	-	-	-	250
Net income for the year	-	-	-	14,065	14,065
Balance at 30 Dhul Hijjah 1422H	133,500	18,023	16,020	68,960	236,503
Increase in participants' contributions	248	-	-	-	248
Net income for the year	-	-	-	1,346	1,346
	133,748	18,023	16,020	70,306	238,097

The attached notes from 1 through 15 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
NOTES TO FINANCIAL STATEMENTS
30 Dhul Hijjah 1423H (3 March 2003)

1. INCORPORATION AND ACTIVITIES

The Islamic Development Bank - Export Financing Scheme (the "Fund") is a special fund established under Article 22 of the Articles of Agreement of Islamic Development Bank (the "Bank") and pursuant to the decision taken by the Board of Governors of the Bank in their annual meeting held in 1406H (1995-96). The objective of the Fund is to promote export of non-traditional goods, especially intra-trade of goods originating from the participating countries. The membership of the Fund is open to all member countries of the Organization of the Islamic Conference. The Bank manages the Fund according to the regulations governing the Fund. Administrative expenses of the Bank pertaining directly to the operations of the Fund are charged to the Fund. The Fund commenced its operations on 2 Muharram 1408H (26 August 1987).

As a special fund of the Bank, the Fund is not subject to an external regulatory authority.

The Fund, through the Bank, consults the Islamic Fiqh Academy, an institution established by the Organization of the Islamic Conference, to provide it with Shari'ah advice. During 1422H, the Bank established its own Shari'ah Advisory Board.

The Fund carries out its business activities through the Bank's headquarters in Jeddah, Saudi Arabia. The Fund's financial year is the lunar Hijra year.

The financial statements of the Fund are expressed in thousands of Islamic Dinars. Islamic Dinar (ID) is the unit of account of the Fund and is equal to one Special Drawing Right (SDR) of the International Monetary Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in accordance with Article 16.2 of the Financial Regulations of the Fund and with the Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). For matters for which no AAOIFI standard exists, the Fund uses the relevant International Accounting Standard.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available for sale investments.

(b) Translation of currencies

Transactions in currencies other than Islamic Dinars are recorded at the exchange rate between the Islamic Dinar and the underlying currency, derived from the SDR rates declared by the International Monetary Fund, at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Islamic Dinars on the basis of the exchange rate at the date of the statement of financial position. Foreign exchange gains and losses are charged to the statement of income.

(c) Revenue recognition

Income from Murabaha financing is accrued on a time apportionment basis over the period from actual disbursement of funds to the scheduled repayment of instalments.

Income from placements with Islamic and conventional banks is recognized on a time apportionment basis over the period from actual disbursement of the fund to the settlement date.

(d) Impairment of financial assets

Impairment of receivable from operations:
The Fund determines the provision for operation risks based on an assessment of collectibility risks in the total receivable from Murabaha financing. The provision is periodically adjusted based on a review of the prevailing circumstances. The assessment of the impairment is based on country risk ratings and long-term historical experience of the Fund (also see Note 5).

Adjustments to the provision are recorded as a charge or addition to income. In order to determine the adequacy of the provision, the Fund considers the net present value of expected future cash flows discounted at the financial instruments' implicit rate of return.

Impairment of other financial assets:
An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and its fair value.

For financial assets carried at amortized cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of income.

(e) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and Shari'ah and commodity placements with banks having a maturity of three months or less at the date of acquisition.

3. CASH AT BANKS

Cash at banks at 30 Dhul Hijjah is comprised of the following:

(In thousands of Islamic Dinars)

	423H	1422H
Call accounts with Islamic banks	919	730
Call accounts with conventional banks	4,862	6,295
Total	5,781	7,025

4. SHARI'AH AND COMMODITY PLACEMENTS WITH BANKS

Shari'ah and commodity placements with banks at 30 Dhul Hijjah are comprised of the following:

	1423H	1422H
Placements with Islamic banks	10,171	10,906
Placements with conventional banks	100,502	38,522
Total	110,673	49,428

Income from placements for the years ended 30 Dhul Hijjah represents the following:

(In thousands of Islamic Dinars)

	1423H	1422H
Placements	1,868	3,799
Compensation from (to) Islamic Development Bank - Ordinary Capital Resources	663	(458)
Total	2,531	3,341

5. MURABAHA FINANCING

Murabaha financing at 30 Dhul Hijjah is comprised of the following:

(In thousands of Islamic Dinars)

	1423H	1422H
Gross amounts receivable	119,765	153,471
Less: Unearned income	(4,406)	(7,906)
Murabaha financing, net	115,359	145,565

All goods purchased for resale under Murabaha financing are made on the basis of specific purchase for resale to the subsequent customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Fund as a result of default by the customer prior to the sale of goods would be made good by the customer.

The Fund considers the operation dues as impaired when, based on current information and events, it is probable that it will be unable to collect all amounts due according to the contractual terms.

The Fund determines the provision requirements on the Murabaha financing receivables based on information available at the time of review. The assessment of the impairment is based on country risk ratings and the long-term historical experience of the Fund.

The movement in the provision for operation risks for the years ended 30 Dhul Hijjah is as follows:

(In thousands of Islamic Dinars)

	1423H	1422H
Balance at beginning of the year	7,457	2,800
Effect of adopting IAS 39	-	4,657
Balance at end of the year	7,457	7,457

6. RECEIVABLE FROM ISLAMIC DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

Investments and realization of investments made through the inter-fund account between the Fund and the Bank are considered as cash flows, with the corresponding amounts passed as advances or settlement of advances from the Bank.

7. PARTICIPANTS’ CONTRIBUTIONS

Participants’ contributions at 30 Dhul Hijjah are comprised of the following:

(In thousands of Islamic Dinars)

	1423H	1422H
Amount subscribed	317,000	317,000
Instalments not yet due	(158,500)	(158,750)
Called-up amount	158,500	158,250
Instalments due not yet paid	(25,788)	(25,787)
Instalments paid not yet due	1,036	1,037
Paid-up contributions	133,748	133,500

8. GENERAL RESERVE AND CONTRIBUTION BONUS

The Board of Governors decided at their annual meeting in 1416H to transfer ID 16,020 thousand from retained earnings to general reserve. It was also decided that a contribution bonus of ID 18,023 thousand be made. The contribution bonus was allocated to participants based on their annual portion of net earnings since joining the Fund to 29 Dhul Hijjah 1414H and forms part of participants' equity.

9. ASSETS AND (LIABILITIES) IN FOREIGN CURRENCIES

The net assets and (liabilities) of the Fund in foreign currencies (in thousands of ID equivalent) at 30 Dhul Hijjah are as follows:

(In thousands of Islamic Dinars)

	1423H	1422H
United States Dollar	125,568	114,468
Japanese Yen	4,537	22,777
Euro	38,735	72,005
Pound Sterling	23,923	18,004
Deutsche Mark	1,855	-
French Franc	1,757	-
Non-SDR constituent currencies	(4,411)	(4,503)

10. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of assets and liabilities according to their respective periods to maturity or expected periods to cash conversion at 30 Dhul Hijjah are as follows:

(In thousands of Islamic Dinars)

	1423H					
	Maturity period determined					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity period not determined	Total
Assets						
Cash at banks	5,781	-	-	-	-	5,781
Shari'ah and commodity placements with banks	110,673	-	-	-	-	110,673
Murabaha financing	27,026	52,735	34,924	674	-	115,359
Receivable from the Bank	14,541	-	-	-	-	14,541
Accrued income and other assets	427	-	-	-	-	427
	158,448	52,735	34,924	674	-	246,781
Less: Provision						(7,457)
Total assets						239,324
Liabilities						
Accruals and other liabilities	-	-	-	-	1,167	1,167
Dividends payable					60	60
Total liabilities	-	-	-	-	1,227	1,227

	1422H					
	Maturity period determined					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity period not determined	Total
Assets						
Cash at banks	7,025	-	-	-	-	7,025
Shari'ah and commodity placements with banks	48,908	520	-	-	-	49,428
Murabaha financing	33,550	53,735	54,871	3,409	-	145,565
Receivable from the Bank	42,465	-	-	-	-	42,465
Accrued income and other assets	385	-	-	-	-	385
	132,333	54,255	54,871	3,409	-	244,868
Less: Provision						(7,457)
Total assets						237,411
Liabilities						
Accruals and other liabilities	-	-	-	-	848	848
Dividends payable	-	-	-	-	60	60
Total liabilities	-	-	-	-	908	908

11. CONCENTRATION OF ASSETS

Economic sectors:

All operations of the Fund are concentrated in the trade and commerce sectors. All liquid assets are invested in accordance with criteria set out by management to ensure that the investee institutions have a credit rating acceptable to the management of the Fund.

The geographical locations of assets at 30 Dhul Hijjah are as follows:

	1423H			
	Member countries		Non-member countries	Total
	Asia	Africa		
Cash at banks	1,230	-	4,551	5,781
Shari'ah and commodity placements with banks	82,001	-	28,672	110,673
Murabaha financing	83,130	32,229	-	115,359
Receivable from the Bank	14,541	-	-	14,541
Accrued income and other assets	427	-	-	427
	181,329	32,229	33,223	246,781
Less: Provision				(7,457)
Total assets				239,324

	1422H			
	Member countries		Non-member countries	Total
	Asia	Africa		
Cash at banks	1,070	-	5,955	7,025
Shari'ah and commodity placements with banks	36,408	-	13,020	49,428
Murabaha financing	103,900	41,665	-	145,565
Receivable from the Bank	42,465	-	-	42,465
Accrued income and other assets	385	-	-	385
Less: Provision	184,228	41,665	18,975	244,868
				(7,457)
Total assets				237,411

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 30 Dhul Hijjah comprises the following:

	1423H	1422H
Cash at banks	5,781	7,025
Shari'ah and commodity placements with banks	82,146	1,330
Total	87,927	8,355

13. ZAKAT AND TAX TREATMENT

Any liability for zakat and income tax is the responsibility of the individual participant.

14. COMMITMENTS

The Fund's undisbursed commitments for Murabaha financing operations at 30 Dhul Hijjah 1423H amounted to ID 151.6 million (1422H - ID 127.1 million).

15. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform with the presentation in the current year.

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AL JURAID & COMPANY
Member Firm of PricewaterhouseCoopers
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Saudi Arabia

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT

FINANCIAL STATEMENTS
31 December 2002

WITH

AUDITORS' REPORT

ISLAMIC BANKS' PORTFOLIO FOR INVESTMENT AND DEVELOPMENT

31 December 2002

CONTENTS

	Page
Auditors' Report	234
Statement of Financial Position	235
Statement of Income	236
Statement of Cash Flows	237
Statement of Changes in Fixed and Variable Capital Funds	238
Statement of Portfolio Investments, Receivable and Financing	239
Statement of Financial Highlights	240
Notes to Financial Statements	241-250

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Saudi Arabia

AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of financial position of Islamic Development Bank - Export Financing Scheme (the "Fund") as of 30 Dhul Hijjah 1423H (3 March 2003) and the related statements of income, cash flows and changes in participants' equity for the year then ended. These financial statements and the Fund's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Export Financing Scheme as of 30 Dhul Hijjah 1423H (3 March 2003), and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

We also note that the Fund has followed other accounting standards with respect to accounting measurement, recognition, presentation and disclosure matters not covered by the AAOIFI standards, which are disclosed in Note 2 (a).

For ERNST & YOUNG

Dr. Abdullah A. Baeshen
Registration No. 66

For AL JURAID & COMPANY

Penrhyn Wilson III
Registration No. 182

16 Rabi Thani 1424H
16 June 2003

ERNST & YOUNG
PROFESSIONAL LICENCE No. 45

AL JURAID & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
LICENCE No 25

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
31 December 2002
(In thousands of United States Dollars)

	Notes	2002	2001
ASSETS			
Cash and cash equivalents	3, 14	23,165	30,381
Investments:			
Islamic Ijarah Sukuk	4	10,000	-
IDB - Unit Investment Fund	5, 14	15,718	35,383
Mudaraba funds	14	2,000	2,000
Ijarah Muntahia Bittamleek, net	6	27,677	16,381
Receivable:			
Murabaha, net	7	30,106	19,128
Instalment sales		1,131	1,014
Financing:			
Musharaka financing	8	-	4,208
Accrued income and other assets		1,082	2,556
Total Portfolio's assets		110,879	111,051
Net assets financed by variable capital	10	640	18,887
Total assets		111,519	129,938
LIABILITIES			
Payable to Islamic Development Bank - Ordinary Capital Resources	9, 14	534	518
Dividends payable	11	1,300	4,862
Accruals and other liabilities		238	37
Total liabilities		2,072	5,417
NET ASSETS		109,447	124,521
REPRESENTED BY			
FIXED CAPITAL FUNDS			
Paid-up capital	12	100,000	100,000
Reserve	11	5,875	4,519
Retained earnings		2,932	1,115
Total fixed capital funds		108,807	105,634
VARIABLE CAPITAL FUNDS			
Paid-up capital	12	-	18,455
Retained earnings		640	432
Total variable capital funds	10	640	18,887
		109,447	124,521
Number of shares outstanding fixed capital funds	12	100,000	100,000
Net assets per share (USD), fixed capital funds		1,088	1,056

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF INCOME
For the Year Ended 31 December 2002
(In thousands of United States Dollars)

	Notes	2002	For the period from 26 March 2001 to 31 December 2001
INCOME			
Income from cash and cash equivalents		373	1,122
Income from investments, sales and financing:			
Investments:			
Islamic Ijarah Sukuk		242	-
IDB - Unit Investment Fund		1,789	853
Mudaraba funds		58	257
Ijarah Muntahia Bittamleek		4,658	5,813
Sales:			
Murabaha transactions		1,070	521
Instalment sales		95	39
Financing:			
Musharaka financing		46	185
Mudaraba fees		334	243
Total income from investments, sales and financing		8,292	7,911
EXPENSES			
Depreciation expense	6	(3,598)	(4,321)
Provision for impairment	7	(72)	(155)
Other expenses		(159)	(78)
		(3,829)	(4,554)
Net income from investments, sales and financing		4,463	3,357
Net income before Mudarib's share		4,836	4,479
Less: Mudarib's share		(363)	(417)
INCREASE IN NET ASSETS AFTER MUDARIB'S SHARE		4,473	4,062

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2002
(In thousands of United States Dollars)

	2002	For the period from 26 March 2001 to 31 December 2001
OPERATING ACTIVITIES		
Net income before Mudarib's share	4,836	4,479
Adjustments for:		
Depreciation	3,598	4,321
Amortization of deferred credit	(335)	(44)
Provision for impairment	72	155
	8,171	8,911
Changes in operating assets and liabilities:		
Murabaha receivable	(11,050)	(13,676)
Musharaka financing	4,208	158
Instalment sales receivable	(117)	(1,014)
Accrued income and other assets	1,474	552
Variable capital financed net assets	18,247	552
Payable to Islamic Development Bank - Ordinary Capital Resources	16	(13)
Accruals and other liabilities	201	21
Cash from operations	21,150	(4,509)
Mudarib's fee paid	(363)	(417)
Net cash provided by (used in) operating activities	20,787	(4,926)
INVESTING ACTIVITIES		
Change in investment in IDB - Unit Investment Fund	20,000	-
Change in investment in Islamic Ijarah Sukuk	(10,000)	-
Change in Ijarah Muntahia Bittamleek	(14,894)	(1,083)
Net cash used in investing activities	(4,894)	(1,083)
FINANCING ACTIVITIES		
Change in variable capital funds	(18,247)	(552)
Dividends paid	(4,862)	(8,465)
Net cash used in financing activities	(23,109)	(9,017)
Net decrease in cash and cash equivalents	(7,216)	(15,026)
Cash and cash equivalents at the beginning of the year/period	30,381	45,407
Cash and cash equivalents at the end of the year/period	23,165	30,381
Supplemental Schedule of Non-Cash Items		
Dividends payable	1,300	4,862

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF CHANGES IN FIXED AND VARIABLE CAPITAL FUNDS
For the Year Ended 31 December 2002
(In thousands of United States Dollars)

	Paid-up capital		Reserve		Retained earnings		Total		
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed (changes in net assets)	Variable (changes in net assets)	Grand Total
Balance at 25 March 2001 (30 Dhul Hijjah 1421H)	100,000	19,144	4,241	-	2,193	295	106,434	19,439	125,873
Decrease in paid-up capital	-	(689)	-	-	-	-	-	(689)	(689)
Net income for the period	-	-	-	-	-	856	-	856	856
Increase in net assets for the period	-	-	-	-	4,062	-	4,062	-	4,062
Appropriations:									
Transfer to reserve	-	-	278	-	(278)	-	-	-	-
Mudarib's share of profits	-	-	-	-	-	(54)	-	(54)	(54)
Dividends	-	-	-	-	(4,862)	(665)	(4,862)	(665)	(5,527)
Balance at 31 December 2001	100,000	18,455	4,519	-	1,115	432	105,634	18,887	124,521
Decrease in paid-up capital	-	(18,455)	-	-	-	-	-	(18,455)	(18,455)
Net income for the year	-	-	-	-	-	225	-	225	225
Increase in net assets for the year	-	-	-	-	4,473	-	4,473	-	4,473
Appropriations:									
Transfer to reserve	-	-	1,356	-	(1,356)	-	-	-	-
Mudarib's share of profits	-	-	-	-	-	(17)	-	(17)	(17)
Dividends	-	-	-	-	(1,300)	-	(1,300)	-	(1,300)
Balance at 31 December 2002	100,000	-	5,875	-	2,932	640	108,807	640	109,447

The attached notes from 1 through 20 form an integral part of these financial statements.

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF PORTFOLIO
INVESTMENTS, RECEIVABLES AND FINANCING
31 December 2002
(In thousands of United States Dollars)

	2002	Percentage of portfolio	2001	Percentage of portfolio
INVESTMENTS				
Islamic Ijarah Sukuk	10,000	12	-	-
IDB - Unit Investment Fund	15,718	18	35,383	45
Mudaraba funds	2,000	2	2,000	3
Ijarah Muntahia Bittamleek, net	27,677	32	16,381	21
RECEIVABLE				
Murabaha, net	30,106	35	19,128	25
Instalment sales	1,131	1	1,014	1
FINANCING				
Musharaka financing	-	-	4,208	5
TOTAL INVESTMENTS, RECEIVABLE AND FINANCING	86,632	100	78,114	100

The attached notes from 1 through 20 form an integral part of these financial statements.

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF FINANCIAL HIGHLIGHTS
For the Year Ended 31 December 2002

	2002	For the period from 26 March 2001 to 31 December 2001	For the period from 6 April 2000 to 25 March 2001
(Data per Share In United States Dollars)			
Net assets value (fixed capital funds) - beginning of the year/period	1,056	1,064	1,078
Income from investments, sales and financing:			
Net income from investment, sales and financing before Mudarib's share	48	45	81
Less: Mudarib share	(3)	(4)	(10)
Net income from investments, sales and financing after Mudarib share	45	41	71
Distribution to shareholders:			
From net profits on investments, sales and financing	(13)	(49)	(85)
Total distributions	(13)	(49)	(85)
Net assets value (fixed capital funds) - end of the year/period	1,088	1,056	1,064
Financial ratios/supplementary data in thousands of United States Dollars			
Total net assets as of the end of year/period	108,807	105,634	106,434
Average of net assets*	107,221	106,034	107,124
Ratio of expenses to average of net assets	4%	4%	6%
Turnover rate of portfolio investments, receivables and financing	10%	13%	22%
Annual rate of return	4%	5%	7%

*The average net assets is calculated on a simple average basis using year-end net assets balance.

The attached notes from 1 through 20 form an integral part of these financial statements.

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
31 December 2002

1. INCORPORATION AND ACTIVITIES

Islamic Banks' Portfolio for Investment and Development (the "Portfolio") is a trust fund established under Article 23 of the Articles of Agreement of Islamic Development Bank (the "Bank" or "IDB") and pursuant to the Memorandum of Understanding signed by the Islamic banks in 1407H. The objective of the Portfolio is to mobilize the liquidity available with Islamic banks and financial institutions and the savings of individual investors and channel them to finance trade of Islamic countries in accordance with the principles of Shari'ah.

The Bank consults, on behalf of the Portfolio the Islamic Fiqh Academy, an institution established by the Organization of the Islamic Conference, to obtain Shari'ah advice. During 1422H, the Bank also established its own Shari'ah Advisory Board.

The Bank manages the Portfolio as a Mudarib based upon the regulations of the Portfolio. The Portfolio has a Participants' Committee chosen by the founding member banks of the Portfolio. This Committee oversees the actions of the Mudarib and the general policies of the Portfolio.

The Portfolio carries out its business activities through the Bank's headquarters in Jeddah, Saudi Arabia.

As a trust fund of the Bank, the Portfolio is not subject to an external regulatory authority.

The financial statements of the Portfolio are expressed in thousands of United States dollars. All disbursements on operations are made in United States dollars and all repayments are payable in United States dollars.

Any liability for zakat and income tax is the responsibility of the individual participants.

The Portfolio's financial year was the lunar Hijra year up to 30 Dhul Hijjah 1421H. On 5 Sha'ban 1422H (21 October 2001), the Board of Executive Directors on the recommendation of the Portfolio's Participants Committee decided to change the Portfolio's financial year from the lunar Hijra year to the Gregorian year. Accordingly, management has presented the Portfolio's financial statements for the intervening period, which is from 26 March 2001 (1 Muharam 1422H) to 31 December 2001 (16 Shawal 1422H), for comparative purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

(a) Basis of preparation

The financial statements are prepared in accordance with Article 12 of the Financial Regulations of the Portfolio and with the Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). For matters for which no AAOIFI standard exists, the Portfolio uses the relevant International Accounting Standard.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available-for-sale investments.

(b) Foreign currencies

Transactions in foreign currencies are translated into United States dollars by applying exchange rates existing at the dates of such transactions. Assets and liabilities at the date of the statement of financial position denominated in foreign currencies are translated into United States dollars at the exchange rates prevailing at that date. Realized and unrealized gains or losses on exchange are credited or charged to statement of income.

(c) Revenue recognition

1. Cash and cash equivalents

Income from liquid funds is recognized when such income is earned. Income from short-term commodity transactions is accrued evenly over the period from actual disbursement date of the funds to the repayment date.

2. Operations

Income from Murabaha and instalment sales financing is accrued on a time apportionment basis over the period from actual disbursement of funds to the scheduled repayment of instalments.

Income from Musharaka financing is accrued evenly and is measured as the difference between the instalment receivable and the amount disbursed. Income recognition is deferred until the construction of asset is complete.

Income from Musharaka financing is appropriated among co-financiers (the Portfolio's fixed capital funds, the Portfolio's variable capital funds and the Bank) on a pro-rata basis.

Income from Ijarah Muntahia Bittamleek is accrued based on the lease agreement.

3. Investments

Income from investments in Mudaraba funds is recognized when such income is earned.

Income from investments in Islamic Ijarah Sukuk is recognized as accrued by the investee banks.

Income from investment in IDB - Unit Investment Fund is recognized when dividends are declared.

(d) Cash and cash equivalents

Cash and cash equivalents comprise balances with maturities of less than 90 days from the date of acquisition and represent short-term investments with banks.

(e) Financial contracts

Financial contracts consist of Murabaha and instalments sales receivable, Mudaraba financing and Musharaka financing. Balances relating to these contracts are stated at the cost of goods sold to the beneficiaries plus income recognized by the Portfolio to the statement of financial position date, less repayments received and unearned income.

(f) IDB - Unit Investment Fund

The investment in IDB - Unit Investment Fund is held as available-for-sale and is initially recorded at cost and remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is included in the statement of income for the period.

(g) Islamic Ijarah Sukuk

The investment in Islamic Ijarah Sukuk is held to maturity and is carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition.

(h) Ijarah Muntahia Bittamleek

This represents assets purchased by the Portfolio and leased to beneficiaries for their use under Ijarah Muntahia Bittamleek agreements whereby the ownership of the assets is transferred to the beneficiaries at the end of lease term and the completion of all payments under the agreement. The assets are stated at their acquisition cost less accumulated depreciation up to the date of the statement of financial position. The assets are depreciated using the straight-line method over the related lease period.

(i) Variable capital, net assets and income

The variable capital is subscribed and called to finance specific operations identified by the Portfolio. Net assets financed by variable capital represent the assets financed by the variable capital for these operations, net of specific liabilities. As the assets are realized, the proceeds will be used to redeem the variable capital contributed for their acquisition.

Income from assets financed by variable capital is recognized on the same basis as that applicable to various modes of financing as explained in these accounting policies and is included, net of expenses, as part of retained earnings of the variable capital to be distributed based on the Regulations of the Portfolio.

(j) Reserve

In accordance with the Regulations of the Portfolio, 5% of net income before Mudarib's share is transferred annually to a reserve account, which is not available for distribution. With effect from 1415H, transfers to the reserve account are made on the basis of profits realized in cash. As a result, retained earnings may include, due to timing differences, a portion of reserve which is not distributable and which will be transferred to reserve when realized in cash. No transfer to reserve is made in respect of income arising from restricted assets financed by variable capital.

(k) Impairment of financial assets

Impairment of receivable from operations:

The Portfolio determines its provision for the receivable from operations based on an assessment of collectibility risks in the receivable from operations. The provision is periodically adjusted based on a review of the prevailing circumstances. The assessment of the impairment is made on a case-by-case basis and long-term historical experience of the Portfolio. In order to determine the adequacy of the provision, the Portfolio considers the net present value of the expected future cash flows discounted at the financial instruments' implicit rate of return.

Adjustments to the provision are recorded as a charge or addition to income.

Impairment of other financial assets:

An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and its fair value.

For financial assets carried at amortized cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of income.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December 2002 comprise the following:

(In thousands of United States Dollars)

	2002	2001
Liquid funds:		
With Islamic banks	23,165	6,121
Investments in short-term commodity transactions:		
With Islamic banks	-	8,707
With conventional banks	-	15,553
Total	23,165	30,381

Liquid funds maintained with Islamic banks are utilized by the respective banks in the purchase and sale of commodities. Such funds are maintained to meet approved investment operations.

4. ISLAMIC IJARAH SUKUK

This represents investments held to maturity. The fair value of Islamic Ijara Sukuk approximates its carrying value at 31 December 2002.

5. IDB - UNIT INVESTMENT FUND

The Portfolio has an investment in IDB - Unit Investment Fund (the "Fund"), which was established by the Bank as a trust fund. The Bank manages the Fund as a Mudarib in accordance with the regulations of the Fund.

The Portfolio was a founding member of the Fund and in 1413H, it increased its holdings to a level of 28.629% of the issued units. At 31 December 2002, the Portfolio owned 4.9% of the issued units of the Fund (11.1% at 31 December 2001).

6. IJARAH MUNTAHIA BITTAMLEEK, NET

Ijarah Muntahia Bittamleek at 31 December 2002 comprise the following:

(In thousands of United States Dollars)

	2002	2001
Cost:		
Assets not yet in use:		
At the beginning of the year/period	8,780	7,697
Additions during the year/period	14,894	1,083
Transferred to assets in use during the year/period	(9,695)	-
At the end of the year/period	13,979	8,780
Assets in use:		
At the beginning of the year/period	19,836	34,941
Transferred from assets not yet in use during the year/period	9,695	-
Transferred to beneficiaries during the year/period	(9,908)	(15,105)
At the end of the year/period	19,623	19,836
Total cost	33,602	28,616
Accumulated depreciation:		
At the beginning of the year/period	(12,235)	(23,019)
Charged during the year/period	(3,598)	(4,321)
Transfers during the year/period	9,908	15,105
At the end of the year/period	(5,925)	(12,235)
	27,677	16,381

Future instalments receivable related to Ijarah Muntahia Bittamleek at the year-end are estimated as follows:

	2002	2001
Ijarah operations in Egypt	6,159	7,976
Ijarah operations in Saudi Arabia	9,075	4,850
Ijarah operations in Brunei	4,846	-
Ijarah operations in Algeria	485	-
Ijarah operations in Sudan	5,785	4,268
Ijarah operations in Lebanon	3,304	2,868
Ijarah operations in Pakistan	-	1,690
Total	29,654	21,652

The precise amount receivable for any year is only known prior to the commencement of the year, as the rentals are determined annually based on prevailing London Inter Bank Offer Rates ("LIBOR"). The above amounts are approximations based on estimated LIBOR.

7. MURABAHA RECEIVABLE, NET

Murabaha receivable at 31 December 2002 comprise the following:

(In thousands of United States Dollars)

	2002	2001
Gross amounts receivable	31,050	20,032
Less: Unearned income	(548)	(580)
Provision for impairment	(396)	(324)
Murabaha receivable, net	30,106	19,128

All goods purchased for resale under Murabaha contracts are made on the basis of specific purchase for resale to the subsequent customer. The promise of the customer is considered to be binding and any loss suffered by the Portfolio, as a result of default by the customer prior to the sale of goods, would be made good by the customer.

8. MUSHARAKA FINANCING

Musharaka financing represents investment in a Musharaka Mutanakisa (diminishing participation) in a project that is 70% financed by the Portfolio and the Bank and 30% financed by the beneficiary. Under the terms of the Musharaka agreement, the Musharaka participants have agreed to gradually buy out the Portfolio and the Bank's share in 16 equal semi-annual instalments. The beneficiary, however, has repaid the full amount of financing on May 24, 2002 by utilizing the early repayment clause in the agreement.

9. PAYABLE TO ISLAMIC DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

Payable to the Bank at 31 December 2002 comprise the following:

	2002	2001
Mudarib's share of profit (see note 11)	363	417
Short-term advances and inter-fund account	171	101
Total	534	518

From time to time, the Bank makes advances for operations on behalf of the Portfolio. If these advances are outstanding for more than five days, the Portfolio compensates the Bank with its earnings on investments in short-term commodity transactions for the period to repayment. The net charge to the Portfolio for 2002 was nominal.

10. NET ASSETS FINANCED BY VARIABLE CAPITAL

Net assets financed by variable capital at 31 December 2002 comprise the following:

(In thousands of United States Dollars)

	2002	2001
Cash and cash equivalents	677	736
Investment in Musharaka financing	-	18,455
Accrued income	51	432
Total assets	728	19,623
Less: Payable to the Bank	(67)	(54)
Accrued expenses and other liabilities	(21)	(17)
Dividend	-	(665)
Net assets financed by variable capital	640	18,887

Net income for the year ended 31 December 2002, arising from the above investment of variable capital, included as a part of retained earnings of the variable capital, is as follows:

(In thousands of United States Dollars)

	2002	For the period from 26 March 2001 to December 2001
Income from Musharaka financing	203	811
Income from cash and cash equivalents	22	51
Less: Allocated administrative expenses	-	(6)
	225	856

11. DISTRIBUTION OF NET INCOME

As per the Regulations of the Portfolio, net income for each financial year is to be distributed as follows:

Mudarib's share of profit (for managing the Portfolio)	7.5%
Transfer to reserve (non-distributable)	5%
Dividends	87.5%

The Mudarib's fee payable to the Bank is 7.5% of income before Mudarib's share. However, if the return on equity exceeds 1% of the three-year average of 12 months LIBOR, the Mudarib's fee is 10%. In this case, the rate of dividends is reduced to 85% and 90% for fixed and variable capital, respectively.

Based on legal advice obtained from the Bank, the Portfolio made no transfer to reserve in respect of profits arising from assets financed by variable capital.

For the year ended 31 December 2002, the annualized return on equity did not exceed the three-year average LIBOR by 1%. Accordingly, Mudarib's fee is 7.5% and dividends is 87.5%.

The President of IDB Group and the Chairman of the Management Committee of IDB (the Mudarib) have approved a final semi-annual cash dividend of US$ 2.9 million, which is subject to the approval of IDB's Board of Governors at its upcoming Annual General Meeting.

12. CAPITAL

Capital at 31 December 2002 comprises the following:

	2002	2001
Fixed capital		
Authorized	200,000	200,000
Issued, subscribed, called and paid-up	100,000	100,000
Variable capital		
Authorized	280,000	280,000
Issued and subscribed	179,533	179,533
Capital not yet called	(132,089)	(132,089)
Capital called	47,444	47,444
Capital redeemed	(47,444)	(28,989)
Paid-up variable capital	-	18,455

At their meeting held on 10 Shaaban 1421H (6 November 2000), the Participants' Committee approved an increase in the authorized fixed capital from US$ 100 million to US$ 200 million.

13. THE PORTFOLIO'S ROLE AS A MUDARIB

The Portfolio, in its own name and as a Mudarib, makes investments which are co-financed by other institutions. The Portfolio is entitled to an agreed share of profit from such investments, which is reflected in the statement of income as Mudaraba fees, in addition to any share of profit attributable to its own investments.

Such investments consist of Mudaraba, Ijarah, Musharaka Mutanakisa and Murabaha agreements to finance operations in Islamic countries. The co-financiers are liable to risks in the proportion of their respective investments. Accordingly, these investments which relate to co-financers are not included in the accompanying financial statements.

14. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Portfolio transacts business with certain participants and/or their affiliates. The terms of these transactions are approved by the Portfolio's management. The resulting balances from such transactions are included in the statement of financial position as follows:

(In thousands of United States Dollars)

	2002	2001
Cash and cash equivalents:		
Shamil Bank	23,165	6,112
Bahrain Islamic Bank	-	3,257
Investment in Mudaraba funds:		
IDB - Unit Investment Fund	15,718	35,383
Al Baraka Group - Mudaraba funds	2,000	2,000
Payable to the Bank:		
Current account	(171)	(101)
As Mudarib	(363)	(417)
Total	40,349	46,234

15. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of the Portfolio's assets and liabilities according to their respective periods to maturity or expected periods to cash conversion at 31 December 2002 are as follows:

(In thousands of United States Dollars)

	2002				
	Less than 1 month	**1 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	23,165	-	-	-	23,165
Investments	230	20,288	28,410	6,467	55,395
Receivable	350	29,925	962	-	31,237
Accrued income and other assets	-	1,082	-	-	1,082
Total Portfolio's assets	23,745	51,295	29,372	6,467	110,879
Liabilities					
Payable in cash:					
Payable to the Bank	-	534	-	-	534
Dividends payable	-	1,300	-	-	1,300
Accruals and other liabilities	-	238	-	-	238
Total Portfolio's liabilities	-	2,072	-	-	2,072
Assets	2001				
Cash and cash equivalents	14,828	15,553	-	-	30,381
Investments	572	6,095	4,914	42,183	53,764
Receivable	-	14,109	5,525	508	20,142
Financing	163	170	1,629	2,246	4,208
Accrued income and other assets	-	2,556	-	-	2,556
Total Portfolio's assets	15,563	38,483	12,068	44,937	111,051
Liabilities					
Payable in cash:					
Payable to the Bank	-	518	-	-	518
Dividends payable	-	4,862	-	-	4,862
Accruals and other liabilities	-	37	-	-	37
Total Portfolio's liabilities	-	5,417	-	-	5,417

16. CONCENTRATION OF ASSETS

An analysis of the Portfolio's assets by industry at 31 December 2002 is as follows:

(In thousands of United States Dollars)

	Public utilities	Transport	Industry and mining	Social services	Other	Total
2002						
Cash and cash equivalents	-	-	-	-	23,165	23,165
Investments	15,939	-	11,738		27,718	55,395
Receivable	-	-	-	1,131	30,106	31,237
Accrued income and other assets	-	-	-	-	1,082	1,082
Total assets	15,939	-	11,738	1,131	82,071	110,879
2001						
Cash and cash equivalents	-	-	-	-	30,381	30,381
Investments	4,012	-	7,519	4,850	37,383	53,764
Receivable	-	-	13,451	-	6,691	20,142
Financing	-	4,208	-	-	-	4,208
Accrued income and other assets	-	-	-	-	2,556	2,556
Total assets	4,012	4,208	20,970	4,850	77,011	111,051

16. CONCENTRATION OF ASSETS (CONTINUED)

The geographical locations of the Portfolio's assets at 31 December 2002 are as follows:

(In thousands of United States Dollars)

	2002			
	Cash and cash equivalents	Investments	Receivable	Total
Saudi Arabia	-	24,189	5,081	29,270
Bahrain	23,165	5,000	-	28,165
Egypt	-	4,845	13,861	18,706
Bangladesh	-	-	3,800	3,800
Pakistan	-	2,000	-	2,000
Turkey	-	-	1,182	1,182
Lebanon	-	3,494	-	3,494
Iran	-	-	4,652	4,652
Morocco	-	-	1,531	1,531
Jordan	-	-	(1)	(1)
Malaysia	-	5,000	-	5,000
Kazakhistan	-	-	1,131	1,131
Algeria	-	485	-	485
Sudan	-	5,786	-	5,786
Brunei	-	4,596	-	4,596
	23,165	55,395	31,237	109,797
Accrued income and other assets				1,082
Total assets				110,879

16. CONCENTRATION OF ASSETS (CONTINUED)

	2001				
	Cash and cash equivalents	Investments	Receivable	Financing	Total
Saudi Arabia	15,553	40,233	5,120	4,208	65,114
Bahrain	14,828	-	-	-	14,828
Pakistan	-	1,145	7,566	-	8,711
Turkey	-	2,000	5,221	-	7,221
Egypt	-	6,456	-	-	6,456
Lebanon	-	2,868	-	-	2,868
Sudan	-	1,062	-	-	1,062
Kazakhistan	-	-	1,014	-	1,014
Bangladesh	-	-	690	-	690
Morocco	-	-	505	-	505
Jordan	-	-	26	-	26
	30,381	53,764	20,142	4,208	108,495
Accrued income and other assets					2,556
Total assets					111,051

17. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The book values of all classes of financial assets and financial liabilities, as recorded in the statement of financial position, approximate the fair value of those assets and liabilities.

18. ZAKAT AND TAX TREATMENT

Since the Portfolio is part of Baitul Mal (public money), it is not subject to Zakat or tax.

19. COMMITMENTS

At 31 December 2002, undisbursed commitments for investing in operations and other investments amount to US$ 23.8 million (2001 - US$ 37.3 million).

20. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

Appendices II - VII

APPENDIX II

COMPARATIVE STATEMENT SHOWING ACTUAL EXPENDITURE DURING 1422H AND 1423H AND APPROVED BUDGET FOR 1424H (2003-2004G)

(ID thousand)

Sl. No.	Description		Actual Expenditure		Approved Budget
			1422H (2001-02)	1423H (2002-03)	1424H (2003-04)
1.	**Annual Meeting & BED Expenses**		**2,472**	**2,689**	**2,737**
	a.	Annual Meeting Expenses	1,040	1,353	1,358
	b.	Board of Executive Directors Expenses	1,432	1,336	1,379
2.	**Personnel Cost**		**36,439**	**36,496**	**39,373**
	a.	Salaries & Benefits	34,702	35,797	21,948
	b.	Other Personnel Cost	644	599	16,558
	c.	New Staff Cost	354	-	-
	d.	Young Professional Program	739	100	867
3.	**Business Travel**		**1,653**	**1,955**	**2,270**
4.	**General Administrative Expenses**		**5,396**	**5,529**	**6,291**
5.	**Total Administrative Expenses (2+3+4)**		**43,488**	**43,979**	**47,934**
6.	**Contingencies**		**-**	**-**	**42**
7.	**Capital Expenditure**		**611**	**714**	**921**
8.	**Regional Offices**		**1,148**	**1,273**	**1,504**
	a.	Regional Office - Morocco	463	508	554
	b.	Regional Office - Malaysia	371	352	508
	c.	Regional Office - Kazakhstan	324	413	442
9.	**Implementation of Information Strategy Plan**		**1,495**	**1,487**	**-**
10.	**Management Development Program**		**-**	**353**	**353**
11.	**Records & Documents Management Project**		**-**	**625**	**469**
12.	**Distance Learning Project**		**-**	**278**	**-**
	Grand Total		**49,214**	**51,399**	**53,960**

APPENDIX III
SUBSCRIPTION TO IDB SHARE CAPITAL
as on 30 Dhul Hijjah 1423H (03 March 2003G)

Sl. No.	Country	Initial	1st additional	2nd General Increase	3rd General Increase	Total Subscribed	%
1.	Afghanistan	2.50	-	2.50	*	5.00	0.07
2.	Albania	2.50	-	-	*	2.50	0.03
3.	Algeria	25.00	38.10	61.16	*	124.26	1.72
4.	Azerbaijan	2.50	-	2.42	4.84	9.76	0.13
5.	Bahrain	5.00	2.00	-	6.89	13.89	0.19
6.	Bangladesh	10.00	15.00	24.29	48.53	97.82	1.35
7.	Benin	2.50	-	2.42	4.84	9.76	0.13
8.	Brunei	6.30	-	6.11	12.22	24.63	0.34
9.	Burkina Faso	2.50	3.80	6.11	12.22	24.63	0.34
10.	Cameroon	2.50	3.80	6.11	12.22	24.63	0.34
11.	Chad	2.50	-	2.42	4.84	9.76	0.13
12.	Comoros	2.50	-	-	*	2.50	0.03
13.	Cote d'Ivoire	2.50	-	-	*	2.50	0.03
14.	Djibouti	2.50	-	-	*	2.50	0.03
15.	Egypt	25.00	-	321.00	340.84	686.84	9.48
16.	Gabon	3.00	4.50	7.27	-	14.77	0.20
17.	Gambia	2.50	-	-	2.46	4.96	0.07
18.	Guinea	2.50	3.80	6.11	12.22	24.63	0.34
19.	Guinea-Bissau	2.50	-	-	2.46	4.96	0.07
20.	Indonesia	25.00	38.10	61.16	*	124.26	1.72
21.	Iran	2.50	175.00	172.47	344.54	694.51	9.59
22.	Iraq	10.00	3.05	-	-	13.05	0.18
23.	Jordan	4.00	6.10	9.79	19.58	39.47	0.55
24.	Kazakhstan	2.50	-	-	2.46	4.96	0.07
25.	Kuwait	100.00	152.20	244.44	*	496.64	6.86
26.	Kyrghyz	2.50	-	-	*	2.50	0.03
27.	Lebanon	2.50	-	2.42	4.84	9.76	0.13
28.	Libya	125.00	190.30	84.70	394.79	793.79	10.96
29.	Malaysia	16.00	24.40	39.16	78.33	157.89	2.18
30.	Maldives	2.50	-	-	*	2.50	0.03
31.	Mali	2.50	-	2.42	4.84	9.76	0.13
32.	Mauritania	2.50	-	2.42	4.84	9.76	0.13
33.	Morocco	5.00	7.60	12.21	24.43	49.24	0.68
34.	Mozambique	2.50	-	-	2.46	4.96	0.07
35.	Niger	2.50	3.80	6.11	*	12.41	0.17
36.	Oman	5.00	2.00	6.78	13.57	27.35	0.38
37.	Pakistan	25.00	38.10	61.16	122.33	246.59	3.41
38.	Palestine	2.50	2.50	4.85	-	9.85	0.14
39.	Qatar	25.00	-	24.23	48.47	97.70	1.35
40.	Saudi Arabia	200.00	306.37	490.80	981.70	1,978.87	27.33
41.	Senegal	2.50	3.80	6.12	12.23	24.65	0.34
42.	Sierra Leone	2.50	-	-	*	2.50	0.03
43.	Somalia	2.50	-	-	*	2.50	0.03
44.	Sudan	10.00	-	9.69	19.38	39.07	0.54
45.	Suriname	2.50	-	-	2.42	4.96	0.07
46.	Syria	2.50	-	2.50	4.93	9.92	0.14
47.	Tajikistan	2.50	-	-	2.46	4.96	0.07
48.	Togo	2.50	-	-	2.46	4.96	0.07
49.	Tunisia	2.50	2.50	4.85	9.70	19.55	0.27
50.	Turkey	10.00	150.00	155.47	310.58	626.05	8.65
51.	Turkmenistan	2.50	-	-	*	2.50	0.03
52.	Uganda	2.50	3.80	6.11	*	12.41	0.17
53.	UAE	110.00	33.72	139.31	278.64	561.67	7.76
54.	Yemen	5.00	7.60	12.21	24.43	49.24	0.68
	Total:	**831.80**	**1,221.94**	**2,009.30**	**3,178.02**	**7,241.06**	**100.00**

Note: (1) The Subscribed Capital of Albania, Cote d'Ivoire, Kazakhstan, Kyrgyz, Mozambique, Suriname, Tajikistan, Togo and Turkmenistan (ID 22.50 million) are adjusted against the uncommitted portion of the Second General Capital Increase of the Bank. As such, the net initial Subscribed Capital is (ID 831.80 - 22.50) = ID 809.30 million.

(2) 3rd General Increase: The Subscribed Capital of the Bank has been increased by ID 4 billion from ID 4.1 billion to ID 8.1 billion. Out of IDB's 54 member countries, 36 countries have so far confirmed their participation. To provide time to the member countries to complete the formalities, the date for subscription has been extended upto 24:04:2003.

" Countries in the process of completing the formalities.

** Countries that have expressed their inability to participate due to special circumstances.

APPENDIX IV

CHANNELS OF COMMUNICATION

Sl. No.	Country		
1.	**Afghanistan** General Research Department Da Afghanistan Bank P.O.Box 1806 Kabul C/o Embassy of Afghanistan P.O.Box 93337 Riyadh 11693 Saudi Arabia	8.	**Brunei Darussalam** H.E. The Director of Special Duties Ministry of Finance 7th Floor, IBB Building, Jalan Pemancha Bandar Seri Begawan 1130 Fax: 235816
2.	**Republic of Albania** H.E. The Minister of Economy Ministry of Economy Tirana Fax: 64658	9.	**Burkina Faso** National Development Bank P.O. Box 148 Ouagadougou
3.	**Democratic and Popular Republic of Algeria** Ministry of Finance Mauritania Building Algiers Fax: 735 473 - 719763	10.	**Republic of Cameroon** Ministry of Public Investments and Regional Development - Yaounde Fax: 22 15 09
4.	**Azerbaijan Republic** Ministry of Finance Baku, FAX: 98 53 81	11.	**Republic of Chad** Ministry of Economy and Finance P.O.Box 144 N'Djamena Fax: 524908
5.	**Kingdom of Bahrain** Economic Relations Department Ministry of Finance and National Economy P.O. Box No.333 Manama Fax: 535515	12.	**Union of Comoros** Ministry of Finance, Budget and Privatisation P.O.Box 324 Moroni Fax: 744140
6.	**People's Republic of Bangladesh** H.E. The Secretary, Economic Relations Division Ministry of Finance Sher-e-Bangla Nagar Dhaka Fax: 813088	13.	**Republic of Cote d'Ivoire** Ministry of Economy and Finance Abidjan Fax: 20200856
7.	**Republic of Benin** Ministry of Planning, Economic Reconstruction and Promotion of Employment P.O.Box 342 Cotonou Fax: 301660	14.	**Republic of Djibouti** Ministry of Economy, Finance and Planning, Djibouti Fax: 356501

CHANNELS OF COMMUNICATION (Continued)

15. Arab Republic of Egypt

Ministry of Finance
Cairo
Fax: 7951537-7957994

16. Republic of Gabon

Ministry of Economy, Finance,
Budget and Privatization
P.O. Box 165 Libreville
Fax: 773509

17. Republic of the Gambia

Department of State for Finance and
Economic Affairs
The Quadrangle, Banjul
Fax: 227954 / 226969

18. Republic of Guinea

H.E. The Governor,
Central Bank of Guinea
Republic of Guinea
Conakry
Fax: 414898

19. Republic of Guinea Bissau

H.E. The Commissioner of State for
Finance
Ministry of Economy and Finance
Bissau
Fax: 201585

20. Republic of Indonesia

Secretariat General
Ministry of Finance
P.O.Box 21
Jakarta
Fax: 3451205

21. Islamic Republic of Iran

H.E. The Vice Minister and President of
OIETAI
Alternate Governor, IDB
Ministry of Economic Affairs and Finance
Tehran
Fax: 3901033

22. Republic of Iraq

23. Hashemite Kingdom of Jordan

Ministry of Planning
Amman
Fax: 4649341

24. Republic of Kazakhstan

H.E. The Minister of Industry and Trade
Ministry of Industry and Trade
Astana
Fax: 718197

25. State of Kuwait

H.E. The Assistant Undersecretary
Ministry of Finance
Ministries' Compound
P.O.Box 9, Al Safa
Kuwait 13001
Fax: 2418081

26. Kyrghyz Republic

State Committee on Foreign Investment and
Economic Development
58 Erkyndyk Ave.
Bishkek 720874
Fax: 22 56 90 / 22 74 04

27. Republic of Lebanon

H.E. The Adviser
Lebanese Council of Ministers
Governmental Palace,
Beirut
Fax: 867593 - 865630

28. The Great Socialist People's Libyan Arab Jamahiriyah

The Secretariat of the People's
General Committee for Finance
Sert
Fax: 3606197

CHANNELS OF COMMUNICATION (Continued)

29. Malaysia

H.E. The Secretary General to the Treasury
Ministry of Finance's Complex
Kuala Lumpur
Fax: 88823578-79

30. Republic of Maldives

Ministry of Finance and Treasury
Male 20-03
Fax: 324432

31. Republic of Mali

Ministry of Economy and Finance
P.O.Box 234
Bamako
Fax: 220192

32. Islamic Republic of Mauritania

Director of Finance,
Ministry of Economic Affairs and Development
P.O.Box 238
Nouakchott
Fax: 5253335

33. Kingdom of Morocco

The Treasury Department
Ministry of Finance and Privatization
Rabat
Fax: 37-764950 / 37-765036

34. Republic of Mozambique

Ministry of Planning and Finance
Maputo
Fax : 428170

35. Republic of Niger

H.E. The Secretary General
Ministry of Planning
P.O.Box 233
Niamey
Fax: 735983

36. Sultanate of Oman

General Director for Treasury and Accounts
Ministry of Finance
P.O. Box 506
Muscat 113
Fax: 737840

37. Islamic Republic of Pakistan

H.E. The Secretary
Economic Affairs Division
Ministry of Finance and Economic Affairs
Islamabad
Fax: 9205971

38. State of Palestine

H.E. The Chairman of the General Audit Organisation, Palestinian National Authority
P.O.Box 4059 - Gaza
Fax: 2821703
C/o Mr. Maher Gabour - Rafah
Govenorate of North Sinai
Arab Republic of Egypt.

39. State of Qatar

Ministry of Finance
P.O.Box 83 Doha
Fax: 4414418 - 4431177

40. Kingdom of Saudi Arabia

Ministry of Finance
Riyadh
Fax: 4059441 / 4059202

41. Republic of Senegal

Ministry of Economy and Finance
B.P. 4017
Dakar
Fax: 8224195 / 8229621

42. Republic of Sierra Leone

Ministry of Finance
Secretariat Building, George Street,
Freetown
Fax: 228472

CHANNELS OF COMMUNICATION

43. Republic of Somalia

The Embassy of the Republic of Somalia
P.O.Box 94372 Riyadh 11693
Kingdom of Saudi Arabia
Fax: 4649705

44. Republic of Sudan

Ministry of Finance and National
Economy (General Department
For Foreign Financial Cooperation)
P.O.Box 298 Khartoum
Fax: 780351

45. Republic of Suriname

H.E. The Governor
Central Bank Van Suriname
P.O Box 1801 Paramaribo

46. Syrian Arab Republic

H.E. The Minister of Economy and
Foreign Trade
Ministry of Economy and Foreign Trade
Damascus
Fax: 2225695

47. Republic of Tajikistan

Office of H.E. The Prime Minister
Republic of Tajikistan
80, Rudaki Avenue
Dushambe, Tajikistan
Fax: 215110

48. Republic of Togo

Ministry of Economy, Finance and
Privatization
B.P. 367 Lome
Fax: 210905

49. Republic of Tunisia

H.E. The Minister of Development
and International Cooperation
Ministry of Development and
International Cooperation
Tunis
Fax: 71351666

50. Republic of Turkey

Undersecretariat of Treasury
Prime Ministry
Ankara
Fax: 2128550

51. Republic of Turkmenistan

State Bank for Foreign Economic Affairs of
Turkmenistan
Ashgabat
Fax : 510070

52. Republic of Uganda

H.E. The Permanent Secretary
Ministry of Finance, Planning and Economic
Development
P.O.Box 7086 Kampala
Fax: 230163

53. United Arab Emirates

Ministry of Finance and Industry
P.O.Box 433 Abu Dhabi
Fax: 6724922

54. Republic of Yemen

Ministry of Planning and Development
P.O.Box 175
Sanaa
Fax: 250665 - 251503

APPENDIX V
GOVERNORS AND ALTERNATE GOVERNORS

Sl. No.	Governor	Alternate Governor
1.	**Afghanistan**	
	H.E. Mr. Ashraf Ghani Ahmadzai Minister of finance C/o Ministry of Foreign Affairs Ministry of Finance Kabul Fax: 873-762-321-251 762-498-237	H.E. Dr. Anwar ul-Haq Ahady Alternate Governor, IDB C/o Ministry of Foreign Affairs Ministry of Finance Kabul Fax: 873-762-321-251 762-498-237
2.	**Republic of Albania**	
	H.E. Mr. Arben Malaj Minister of Economy Ministry of Economy Tirana Fax: (355 42) 64658 / 28494 Tel: (355 42) 28362	H.E. Mr. Fatos Ibrahimi Deputy Governor Bank of Albania Tirana Fax: (355-42) 23558 Tel: (355-42) 23558 / 27526
3.	**Democratic and Popular Republic of Algeria**	
	H.E. Mr. Abdellatif Benachenhou Minister of Finance Ministry of Finance Mauritania Bld. Algiers Fax: 736450 Tel: 735474-735477	H.E.Mr. Karim Joudi Director General for Treasury Ministry of Finance Mauritania Bld Algiers Fax: 736450
4.	**Azerbaijan Republic**	
	H.E. Mr. Farhad Aliyev Minister of Economic Development Ministry of Economic Development 23 Niyazi Street 370066 Baku Fax: (994-12) 902404 Tel: (994-12) 902430	H.E. Mr. Avaz Akbar Oglu Alekperov Minister of Finance Ministry of Finance 83 Vurgun Street 370022 Baku Fax: (994-12) 939648 / 985381 Tel: (994-12) 930562 / 939398
5.	**Kingdom of Bahrain**	
	H.E. Mr. Abdullah Hassan Seif Minister of Finance and National Economy Ministry of Finance and National Economy P.O.Box No.333 Manama Fax: 533822 - 532900	H.E. Dr. Zakaria Ahmed Hajras Assistant Undersecretary for Economic Affairs Ministry of Finance and National Economy P.O.Box No.333 Manama Fax: 532850

GOVERNORS AND ALTERNATE GOVERNORS (Continued)

6. People's Republic of Bangladesh

H.E.Mr. MD Saifur Rahman
Minister of Finance
Ministry of Finance
Sher-e-Bangla Nagar
Dhaka - 1207
Fax: 8113088

H.E. Mr. Mirza Tasadduq Hussain Beg
Secretary, Economic Relations Division
Ministry of Finance
Dhaka - 1207
Fax: 8113088

7. Republic of Benin

H.E. Mr. Bruno Amoussou
Minister of State in-charge of
Government Action's
Coordination and Development
Prospective
Ministry in-charge of
Government Action's
Coordination and Development
Prospective
Cotonou
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H.E. Mr. Ibrahim Pedro-Boni
Director General
Caisse Autonome d'Amortissement
P.O.Box 59
Cotonou
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Tel: 314261

8. Brunei Darussalam

H.M. Sultan Haji Hassanal Bolkiah
Prime Minister and Minister of
Defence cum Minister of Finance
Ministry of Finance
Bandar Seri Begawan1130
Fax: 235816

H.E Dato Yacub Abubakar
Deputy Minister of Finance
Ministry of Finance
9th Floor, IBB Building
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BS 8710
Fax : 235816
Tel: 235518

9. Burkina Faso

H.E. Mr Seydou Bouda
Minister of Economy and Development
Ministry of Economy and Development
03 B.P. 7008
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Tel: 226-324320

H.E. Mr. Sangr Etienne Yameogo
Director General of Cooperation
Ministry of Finance and Budget
Ouagadougou
Fax: 226-315409

10. Republic of Cameroon

H.E. Mr. Okouda Martin
Minister of Public Investments
and Country Development
Ministry of Public Investments
and Country Development
Yaounde
Fax: 221509 - 222646
Tel: 2233637

H.E. Mr. Mohamadou Labarang
Ambassador of the Republic of Cameroon
Embassy of Cameroon,
Riyadh - Saudi Arabia
Fax : 4881 463
Tel: 4880 203

GOVERNORS AND ALTERNATE GOVERNORS (Continued)

11. Republic of Chad

H.E. Mr. Djimrangar Dadnadji
Minister of Planning,
Development and Cooperation
Ministry of Planning,
Development and Cooperation
N'Djamena'
Fax: 515185

H.E. Mr. Idriss Ahmed Idriss
Minister of Economy and Finance
Ministry of Economy and Finance
N'Djamena
Fax: 524908

12. Union of Comoros

H.E. Mr. Caabi El Yachroutu Mohamed
Vice President in-charge of
Finance, Budget, Economy,
Foreign Trade, Investments and
Privatization
Ministry of Finance, Budget and
Privatization
Presidence of the Union
P.O.Box 324 - Moroni
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Tel : (269) 744161

H.E. Mr. Ibrahim Ben Ali
Governor
Central Bank of Comoros
Place de France
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Moroni
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Tel: (269) 731814 / 731002

13. Republic of Cote d'Ivoire

H.E. Mr. Seydou Elimane Diarra
Prime Minister
01 BP 1533
Abidjan
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H.E. Mr. Bohoun Bouabre
State Minister, Minister of Economy and Finance
Ministry of Economy and Finance
Abifjan
Fax: (225) 20200856
Tel: (225) 20200842 - 20200843

14. Republic of Djibouti

H.E. Mr. Yacin Elmi Bouh
Minister of Finance, National Economy,
Planning and In-charge of Privatisation
Ministry of Finance
National Economy and Planning
Djibouti
Fax: 356501
Tel : 350481

H.E. Mr. Djama Mahmoud Haid
Governor
National Bank of Djibouti
Djibouti
Fax: 356288

15. Arab Republic of Egypt

H.E. Dr. Medhat Hassanein
Minister of Finance
Ministry of Finance
Cairo
Fax: 7951537 - 7957994
Tel:7957027 -7940601-7941055

H.E. Dr. Osman Mohamed Osman
Minister of Planning
Ministry of Planning
Avenue Salah Salem
Cairo
Fax: 4014733
Tel: 4014615 - 4014719

GOVERNORS AND ALTERNATE GOVERNORS (Continued)

16. Republic of Gabon

H.E. Mr. Paul Toungui
Minister of State for Economy,
Finance, Budget and Privatization
Ministry of Economy,
Finance, Budget and Privatization
Libreville
Fax: 773509

H.E. Mr. Casimir Oyem Mba
State Minister, Minister of Planning and
Development Programming
Ministry of Planning and
Development Programming
P.O.Box 747 Libreville
Fax: 725522

17. Republic of the Gambia

H.E. Mr. Famara L. Jatta
Secretary of State for Finance and
Economic Affairs
Department of State for Finance and
Economic Affairs
The Quadrangle - Banjul
Fax: 227954 - 226969

H.E. Mr. Dodou B. Jagne
Permanent Secretary
Department of State for
Finance and Economic Affairs
The Quadrangle
Banjul
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Tel: 227221

18. Republic of Guinea

H.E. Mr. Ibrahima Cherif Bah
Governor
Central Bank of Guinea
P.O.Box 692
Conakry
Fax: 414898
Tel: 412651

H.E. Mr. Mamadou Bah
General Director for Long Term Planning
attached to the Minister in-charge of Economy,
Finance and Planning
Conakry
Fax: 414898

19. Republic of Guinea Bissau

H.E. Dr. Ussumane So
Minister of Economy and Finance
Ministry of Economy and Finance
P.O.Box 67
Bissau
Fax: (245) 205267 - 201626
Tel : (245) 203211

H.E. Mr. Mamadou Bald
National Coordinator of the
Ministerial Unit for Follow up of
Decentralized Financial System
Ministry of Economy and Finance
P.O.Box 67 Bissau
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Tel : (245) 204870 - 203208

20. Republic of Indonesia

H.E. Dr. Boediono
Minister of Finance
Ministry of Finance
Jakarta
Fax: (6221) 3453710 - 3451205
Tel: (6221) 3449230

H.E. Dr. Agus Haryanto
Secretary General
Ministry of Finance
Jakarta
Fax: (6221) 345 1205
Tel: (6221) 345 1128-3449230

GOVERNORS AND ALTERNATE GOVERNORS (Continued)

21. Islamic Republic of Iran

H.E. Mr. Tahmaseb Mazaheri
Minister of Economic Affairs and Finance
Ministry of Economic Affairs and Finance
Tehran
Fax : 3911165
Tel : 3911652

H.E. Dr. Mohammad Khazaee
Vice Minister for International
Affairs and President,
Organization for Investment,
Economic and Technical
Assistance of Iran (OIETAI)
Ministry of Economic Affairs and Finance
Tehran
Fax : 3901033
Tel : 3911655

22. Republic of Iraq

23. Hashemite Kingdomof Jordan

H.E. Dr. Basem Awad Allah
Minister of Planning
Ministry of Planning
Amman
Fax: 4649341
Tel: 4644466

H.E. Dr. Omaya Toqan
Governor, Central Bank of Jordan
Central Bank of Jordan
P.O. Box 37, Amman
Fax: 643121
Tel: 4634511

24. Republic of Kazakhstan

H.E. Mr. Adilbek Djaksybekov
Minister of Industry and Trade
Ministry of Industry and Trade
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Tel: (7-3172) 717511

H.E. Mr. Bolat Zhamishev
Deputy Chairman
National Bank of Kazakhstan
21 Koktem 3
480090 Almaty
Fax: (3272) 478048 / 506090
Tel: (3272) 596802

25. State of Kuwait

H.E. Sheikh Dr. Mohammad Sabah
Al Salem Al Sabah Minister of State for
Foreign Affairs, Minister of Finance and
Acting Minister of Planning
Ministry of Finance
Ministries' Compound
P.O.Box 9 Alsafa 13001, Kuwait
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Tel: (965) 2420018 / 2420019

H.E. Mr. Abdul Mohsin El Hanif
Undersecretary
Ministry of Finance
Ministries' Compound
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GOVERNORS AND ALTERNATE GOVERNORS (Continued)

26. Kyrgyz Republic

H.E. Mr. Jeenbekov Ravshan
Babyrbekovich
Chairman, State Committee on
State Property and Direct Investments
57, Erkindik Str.-720002 Bishkek
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H.E. Mr. Emirlan Toromyrzaev
First Deputy Minister of Finance
Ministry of Finance
58, Erkindik Str. 720040 Bishkek
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Tel: 661350

27. Republic of Lebanon

H.E. Mr. Rafik Al Hariri
Prime Minister
Lebanese Council of Ministers
Government Palace
Beirut
Fax : 865630

H.E. Mr. Hisham Ibrahim Al Shaar
Advisor
Lebanese Council of Ministers
Government Palace
Beirut
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28. Great Socialist People's Libyan Arab Jamahiriyah

H.E.Mr. Al Ajeely Abdul Salam Breeni
The Secretary of the
Peoples' General Committee for Economy
and Finance, Sert
Fax: 466750

H.E. The Chairman and General Manager
Development Bank
Tripoli
Fax: 606068

29. Malaysia

H.E. Dato Seri Dr. Mahatir Mohamad
Prime Minister and Minister of Finance
Ministry of Finance Complex
Precint 2, Federal Government
Administration Center 62592
Putrajaya
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H.E. Tan Sri Dr. Samsudin Hitam
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Ministry of Finance Complex
Precint 2, Federal Government Administration
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30. Republic of Maldives

H.E. Mr. Fathullah Jameel
Minister of Foreign Affairs
Ministry of Foreign Affairs
Male
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Tel: (960) 323400

H.E. Mr. Ahmed Latheef
Director,
Department of External Resources
Ministry of Finance and Treasury
Male
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Tel: (960) 323400

GOVERNORS AND ALTERNATE GOVERNORS (Continued)

31. Republic of Mali

H.E. Mr. Bassary Toure
Minister of Economy and Finance
Ministry of Economy and Finance
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H.E. Mr. Marimantia Diarra
Minister of State in-chrage of Planning
Ministry of Planning
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Tel: (223) 2295158/2295162

32. Islamic Republic of Mauritania

H.E. Mr. Mahfoud Ould Mohamed Ali
Minister of Finance
Ministry of Finance
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Nouakchot
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Tel: 525 3335

H.E. Mr Sidi Mohamed El Amin Ould Bakha
Director of Financing
Ministry of Economic Affairs and Development
P.O.Box 238
Nouakchott
Fax: 5253335

33. Kingdom of Morocco

H.E. Dr. Fathullah Oualalou
Minister of Finance and Privatisation
Ministry of Finance and Privatisation
Rabat
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37764950
Tel: 37762570 - 37764818

H.E. Mr. Abderrazak Lazrak
Secretary General
Ministry of Finance and Privatisation
Rabat
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34. Republic of Mozambique

H.E. Luisa Dias Diogo
Minister of Planning and Finance
Ministry of Planning and Finance
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Tel: (2581) 420648

H.E. Dr. Ernesto Goveia Gove
Vice Governor
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35. Republic of Niger

H.E. Mr. Ali Badjo Gamatie
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Ministry of Finance and Economy - Niamey
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H.E. Mr. Hamida Arzake
Secretary of State for Economic Reform
Ministry of Finance
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GOVERNORS AND ALTERNATE GOVERNORS (Continued)

36. Sultanate of Oman

H.E. Mr. Darwish Bin Ismail
Bin Ali Albloushi
Undersecretary for Financial Affairs
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Tel: 738201

H.E.Mr. Mohamed Jawad Bin
Hassan bin Soleiman
General Director of Treasury and Accounts
Ministry of Finance
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37. Islamic Republic of Pakistan

H.E. The Minister of Finance and
Economic Affairs
Ministry of Finance and Economic Affairs
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Tel: (9251) 920 2894

H.E. The Secretary
Economic Affaires Division (EAD)
Ministry of Finance and Economic Affairs
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Tel: (9251) 9210629/9212769

38. State of Palestine

H.E. Mr. Jerar N. Al Kodwa
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Fax: 972 72821703
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972 72825771 Home

H.E. The Alternate Governor
C/o H.E. Mr. Jerar N. Al Kodwa
Chairman of the General Audit Authority
Palestinian National Authority
P.O.Box 4059
Gaza
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Tel : 972 72827327 Office
972 72825771 Home

39. State of Qatar

H.E. Mr. Yussuf Hussein Kamal
Minister of Finance
Ministry of Finance
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Doha
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Tel : 4461444

H.E.Mr Nassir Ben M. Al Fuhaid Al-Hajri
Economic Adviser to the
Deputy Prime Minister
Office of His Highness the
Deputy Prime Minister
P.O.Box 83
Doha
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Tel : 414432

40. Kingdom of Saudi Arabia

H.E.Dr. Ibrahim Bin Abdel
Aziz Al Assaf
Minister of Finance
Ministry of Finance
Riyadh
Fax: 4059441 - 4059202
Tel : 4014423

H.E. Mr. Hamad Saud Al Sayyari
Governor
Saudi Arabian Monetary Agency
Riyadh,
Fax: 4633703

GOVERNORS AND ALTERNATE GOVERNORS (Continued)

41. Republic of Senegal

H.E. M. Abdoulaye Diop
Minister of Economy and Finance
Ministry of Economy and Finance
P.O.Box 4017
Dakar
Fax: 8224195 - 8229621

H.E. Mr. Daouda Diop
Director of Economic and Financial Cooperation
Ministry of Economy and Finance
Dakar,
Fax:8221267

42. Republic of Sierra Leone

H.E. Mr. Peter J. Kuyembeh
Minister of Finance
Ministry of Finance
Freetown
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Tel: (232-22) 227720

H.E. the Financial Secretary
Ministry of Finance
Freetown
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Tel: (232-22) 227720

43. Republic of Somalia

H.E. Mr. Hussein Mahmoud
Al Sheikh Hussein
Minister of Finance
Ministry of Finance
Mogadishu
Through the Somalian Embassy in Riyadh

H.E. Mr. Mahmoud Mohammad Aluso
Governor, Central Bank
Mogadishu
Through the Somalian Embassy in Riyadh

44. Republic of Sudan

H.E. Mr. Al-Zubair Ahmed Al-Hassan
Minister of Finance and
National Economy
Ministry of Finance and
National Economy
P.O.Box 2092
Khartoum
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Tel : 777562

H.E. Dr Saber Mohammad Al
Hassan
Governor, Bank of Sudan
Bank of Sudan - Khartoum
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781561

45. Republic of Suriname

H.E. the Governor
Centrale Bank Van Suriname
Waterkant 20
P.O.Box 1801 - Paramaribo
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Tel: (597) 477645

H.E. Mr. Hendrik Asgarali Alimahomed
Ambassador and Permanent Secretary
Ministry of Foreign Affairs
Paramaribo

GOVERNORS AND ALTERNATE GOVERNORS (Continued)

46. Syrian Arab Republic

H.E. Dr. Ghassan Al Refai
Minister of Economy and
Foreign Trade
Ministry of Economy and
Foreign Trade - Damascus
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Tel:(963-11) 2213514 / 2213513

H.E. Dr. Tawfiq Ismail
Head, State Planning Organisation
Damascus
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Tel: (963-11) 115111540

47. Republic of Tajikistan

H.E. Mr. Soliev Hakim
Minister of Economy and Trade
Ministry of Economy and Trade
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H.E. Mr. Shirinov Abdujabbor
First Deputy Chairman of National Bank of
Tajikistan
Rudaki av.23/2
P.O.Box 734025
Dushanbe
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Tel: (992372) 212628/213009

48. Republic of Togo

H.E. Mme. Ayawovi Demba
Tignokpa
Minister of Economy, Finance and
Privatization
Ministry of Economy, Finance and
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H.E. Mr. M'Ba Legzim
Undersecretary,
Ministry of Economy, Finance and Privatization
in charge of Budget
Lome
Fax: (228) 2210905 / 213753

49. Republic of Tunisia

H.E. Mr. Mohamed Ennouri
El Jouini
Minister of Development and
International Cooperation
Ministry of Development and
International Cooperation
Tunis
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Tel: 71798522

H.E. Mr. Moncef Bouallagui
General Director of Regional Cooperation
Ministry of International
Cooperation and External Investment
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50. Republic of Turkey

H.E. Mr. Ibrahim H. Canakci
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The Prime Ministry - Ankara
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H.E. Mr. Aydin Karaoz
Deputy Undersecretary of Treasury
The Prime Ministry
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GOVERNORS AND ALTERNATE GOVERNORS

51. Republic of Turkmenistan

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State Bank for Foreign
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H.E. Mr. Serdar Bayriev
First Deputy Minister of'
Economy and Finance
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Tel: (993-12) 511537

52. Republic of Uganda

H.E. Mr. Gerald Ssendaula
Minister of Finance, Planning and
Economic Development
Ministry of Finance, Planning and
Economic Development
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H.E. Mr. Chris M. Kassami
Permanent Secretary /
Secretary to the Treasury
Ministry of Finance, Planning and
Economic Development
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Tel: (256-41) 234700

53. United Arab Emirates

H.H. Shaikh Hamdan bin
Rashid Al Maktoom
Deputy Ruler, Dubai Emirate
Minister of Finance and Industry
Ministry of Finance and Industry
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Tel : 6726000 Abu Dhabi

H.E. Dr. Mohamed Bin Khalfan Bin Khirbash
Minister of State for Finance and Industry
Ministry of Finance and Industry
P.O.Box 433 - Abu Dhabi
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Tel : 6744222

54. Republic of Yemen

H.E. Mr. Ahmed M. Sofan
Deputy Prime and Minister of
Planning and International Cooperation
Ministry of Planning and
International Cooperation
P.O.Box 175
Sanaa
Fax: 250665

H.E. The Undersecretary for
Global Planning and Economic Studies
Ministry of Planning and
International Cooperation
P.O.Box 175
Sanaa
Fax: 250665

As of 14 July 2003

APPENDIX VI
BOARD OF EXECUTIVE DIRECTORS

Sl. No.	Executive Director*	Countries Represented	Votes**	Total
1.	Mr. Ibrahim Mohamed Al-Mofleh (Saudi Arabia)	Saudi Arabia	164031	164031
2.	Mr. Ahmad Bin Hj. Hashim (Malaysia)	Indonesia	14760	
		Brunei Darussalam	2535	
		Suriname	996	
		Malaysia	13548	31839
3.	Mr. Ilgar Veysal Oglu Isayev (Azerbaijan)	Azerbaijan	1251	
		Albania	750	
		Turkmenistan	750	
		Tajikistan	996	
		Kazakhstan	996	
		Kyrgyz Republic	750	5493
4.	Mr. Jamal Nasser Rashid Lootah (U.A.E.)	U.A.E.	46914	46914
5.	Dr. Zul-Kifl Salami (Benin)	Benin	1307	
		Algeria	8644	
		Syria	1317	
		Palestine	1101	
		Mozambique	996	
		Yemen	4607	17882
6.	Mr. Zeinhom Zahran (Egypt)	Egypt	51436	51436
7.	Dr. Salim Cafer Karatas (Turkey)	Turkey	52222	52222
8.	Mr. Abdulaziz Nur Hersi (Somalia)	Uganda	1217	17251
		Tunisia	2115	
		Sudan	3626	
		Sierra Leone	750	
		Somalia	750	
		Guinea	2517	
		Guinea Bissau	996	
		Comoros	750	
		Morocco	4569	17290
9.	Mr. Faisal Abdul Aziz Al-Zamil (Kuwait)	Kuwait	33053	33053
10.	Mr. Mohamed Azzaroog Rajab (Libya)	Libya	73697	73697
11.	Mr. Mohamed Ali Taleb (Bahrain)	Jordan	3762	
		Bahrain	1889	
		Djibouti	750	
		Iraq	1805	
		Oman	2760	
		Lebanon	1307	
		Maldives	750	13023
12.	Dr. Mahdi Karbasian (Iran)	Iran	57878	57878
13.	Mr. Ould Samba Achour (Mauritania)	Burkina Faso	2535	
		Chad	1234	
		Togo	996	
		Gabon	2923	
		Gambia	996	
		Senegal	2518	
		Cameroon	2536	
		Mali	1307	
		Mauritania	1307	
		Niger	1172	17524
14.	Dr. Waqar Masood Khan (Pakistan)	Afghanistan	757	30217
		Pakistan	20878	
		Bangladesh	8582	

* In Arabic alphabetical order. **The following countries are not yet represented on the Board of Executive Directors - Cote d'Ivoire and the State of Qatar **As on 14.05.1424H (14.07.2003)

APPENDIX VII
SENIOR OFFICIALS

Management	
Dr. Ahmad Mohamed Ali	President
Dr. Syed Jaafar Aznan	Vice President (Trade and Policy)
Mr. Muzafar Al Haj Muzafar	Vice President (Corporate Resources and Services)
Dr. Amadou Boubacar Cisse	Vice President (Operations)
Office of the President	
Mr. Ousmane Seck	Senior Adviser to the President
Dr. Jamal Mohammad Salah	Adviser to the Bank
Mr. Dost Mohamed Qureshi	Adviser to the President, Islamic Banks and Institutions
Operations Evaluation and Audit Office	
Mr. Bader Eddine Nouioua	Adviser, Operations Evaluation and Audit
Dr. Abdul Razzaq Lababidi	Head, Audit Office
Dr. Djelloul Abdelkader Al-Saci	Head, Operations Evaluation Office
Special Assistance and Scholarship Office	
Dr. Suleiman M. Shamsaldeen	Director
Dr. Mohamed Hassan Salim	Head, Special Assistance Office
Dr.Mohamed Ghazali M. Nur	Head, Scholarship Programme
Office of Kingdom of Saudi Arabia's Project for the Utilization of Hadi and Adahi	
Eng. Ahmed Arif	Acting Supervisor
Cooperation Office	
Mr. Abdul Aziz M. Al-Kelaibi	Director
Office of the Vice President (Trade and Policy)	
Mr. Nabie Musa Turay	Senior Technical Assistant
Office of the Vice President (Corporate Resources and Services)	
Dr. Abdul Aziz Mustapha	Adviser, Human Resources and Knowledge Management
Mr. Mighdad Hamid El Rasheed	Adviser, Finance
Mr. Abdul Naser Mankara	Technical Assistant
Office of the Vice President (Operations)	
Dr. Bashir Omar Fadlallah	Adviser, Policy
Bank Secretariat Department	
Dr. Abderrahim Omrana	Bank Secretary & Director
Dr. Ahmed Albar	Deputy Bank Secretary
Mr. Oumar Sarr	Assistant Bank Secretary In-charge of Languages Division
Legal Department	
Dr. Mohamed El Fateh Hamid	General Counsel

SENIOR OFFICIALS (Continued)

Dr. Hamza Abdullah Kunna	Director
Dr. Essamaldine I. Al-Kalyoubi	Deputy Director
Operations Planning & Services Department	
Mr. Mohammed Ennifer	Director
Mr. Farook Uz Zaman	Adviser, Operations and Head NDFIs Unit
Mr. Moulaye Hassan Al-Mahdi	Procurement Division, Acting Chief
Country Operations Department-1	
Mr. Anwar Khanani	Acting Director
Dr. Waleed Abdul Wahab	Infrastructure and Finance Acting Division Chief
Mr. Abu Reza Abu'el Mutaleb	Program Acting Division Chief
Country Operations Department-2	
Dr. Tareq El-Reedy	Director
Mr. Alpha Bocar Nafo	Program Division Chief
Mr. Saidou Barry	Infrastructure and Finance Acting Division Chief
Mr. Sangore Amar	Poverty Reduction Acting Division Chief
Country Operations Department-3	
Mr. Sulaiman Ahmed Salem	Director
Mr. El Mansour Feten	Deputy Director
Mr. Abdelmalik El-Fadni	Infrastructure and Finance Division Chief
Mr. Mahmoud Khalid Ezzedin	Program Acting Division Chief
Mr. Waleed Faqih	Poverty Reduction Acting Division Chief
Assets Management Department	
Mr. Nabil A. Naseef	Adviser-in-charge
Trade Finance and Promotion Department	
Mr. Abdul Aziz Khalaf	Adviser-in-charge
Mr. Nik Najib Husain	Deputy Director
Mr. Ali Essa Sulais	Credit and Resource Mobilization Division Chief
Mr. Mohamed Abdel Kader Al Sayed	Trade Finance Acting Division Chief
Treasury Department	
Mr. Mohamed Tariq	Director
Mr. Jainol Mohamud	Treasury Operations Division Chief
Mr. Abdulmonem Jamil Addas	Resource Mobilisation Division Chief

SENIOR OFFICIALS (Continued)

Finance Department	
Mr. Muhammad Abdus Sattar	Adviser-in-charge
Mr. Adel Abdullah Abu Al Khair	Assistant Director in-charge of Budget and Accounting
Mr. Khalifa Taha Hamoud	Budget and Disbursement Activity Division Chief
Mr. Alieu Badarr Koroma	Operations Financing Division Chief
Administrative Services Department	
Eng. Essam Shatta	Deputy Director
Eng. Mohamed Essam Shangiti	Engineering and Maintenance Division Chief
Mr. Ahmad Salem Nejaim	Property, Communications and Documents Management Division Chief
Human Resources Management Department	
Dr. Abdullah Abed Faleh	Director
Mr. Fareed Zaki Al Sayed	Deputy Director
Mr. Fuad Ashram	Assistant Director
Mr. Abdullah M. Saeed Matbouly	Personnel Management Division Chief
Economic Policy and Strategic Planning Department	
Dr. Mohamad Ahmad	Director
Dr. Faiz Mohammed	Deputy Director
Dr. Lamine Doghri	Strategic Planning Division Chief
Dr. Siddig Abdelmageed Salih	Economic Policy Division Chief
Information Technology Department and ISP Project	
Dr. Nabeel Al Madani	Director and ISP Manager
Mr. Mohamed Hadi Khairallah	Deputy Director
Mr. Abdulaziz Bensouilah	ISP Deputy Project Manager
Organisation and Management Development Office	
Mr. Mohamed Kada	Director
Technical Cooperation Office	
Mr. Mohammed M. Awad	Director
Science and Technology Office	
Mr. Muhammad Baghdadi	Director
Islamic Banks Office	
Dr. Omar Zuhair Hafez	Director
Bank Library	
Mr. Tijani Ben Dhia	Chief Librarian
Risk Management and Control Office	
Mr. Hussine Jeddah	Head

SENIOR OFFICIALS (Continued)

Private Sector Promotion Section	
Dr. Mohamed H. Djarraya	Head
IDB Regional Offices	
Rabat Office - Morocco Eng. Hani Salim Sunbul	Director
Kuala Lumpur Office - Malaysia Mr. Ahmad Saleh Hariri	Director
Almaty Office - Kazakhstan Mr. Nik Zeinal Abidin	Director
International Center for Biosaline Agriculture, (ICBA) Dubai, UAE	
Dr. Mohammed H. Al Attar	Director General
Islamic Research and Training Institute	
Dr. Mabid Ali Al-Jarhi	Director
Mr. Bashir Ali Khallat	Deputy Director
Dr. Mohamed Fahim Khan	Islamic Economics and Cooperation, Division Chief
Dr. Munawar Iqbal	Islamic Banking and Finance, Division Chief
World Waqf Foundation	
Mr. Abdul Mohsen M. Abdul Aziz Al-Othman	Adviser
Islamic Corporation for the Insurance of Investment and Export Credit	
Dr. Abdel Rahman A. Ali Taha	General Manager
Mr. Khemais Gazzah	Manager, Underwriting Section
Mr. Thiendella Fall	Senior Underwriter
Mr. Ahmed Zubir	Senior Underwriter
Mr. Rahimi A. Rahimi	Manager, Human Resources Management & Services Department
Mr. Muhammad Azam	Manager, Accounting & Finance Department
The Islamic Corporation for the Development of the Private Sector (ICD)	
Dr. Ali Abdul Aziz Sulaiman	CEO & General Manager
Mr. Khaled M. Al Aboudi	Deputy CEO & Deputy General Manager
Dr. Marwan Seifeddine	Director, Investment Operations and Marketing Department
Mr. Abdelmajeed Bannan	Director, Portfolio Management and Treasury Department

STATISTICAL ANNEX

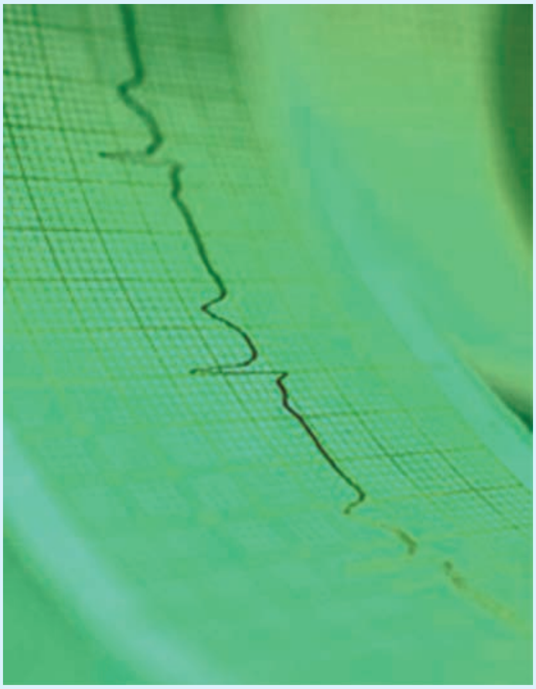

TABLE 1
SELECTED BASIC INDICATORS

	Country	Total Population (million) 2001	Annual Growth of Population (%) 2000-2001	Life Expectancy at Birth (Years) 2001	GNI per Capita (current) (US$) 2001	GNI per Capita Purchasing Power Parity (PPP) (US$) 2001	Growth Rate of GNI Per Capita (%) 2001	Exchange Rate (National Currency Per US$) End 2002
1	Afghanistan	27.2	2.6	43	..	..	..	3,000.00
2	Albania	3.2	1.0	74	1,340	3,810	9.8	133.74
3	Algeria	30.8	1.5	71	1,650	5,910	4.4	79.72
4	Azerbaijan	8.1	0.8	65	650	2,890	8.3	4,893.00
5	Bahrain	0.7	0.4	73	11,130	15,390	3.4	0.38
6	Bangladesh	133.3	1.7	62	360	1,600	-2.7	57.90
7	Benin	6.4	2.6	53	380	970	-2.6	625.50
8	Brunei	0.3	1.8	76	..	..	..	1.74
9	Burkina Faso	11.6	2.4	44	220	1,120	0.0	625.50
10	Cameroon	15.2	2.1	49	580	1,580	0.0	625.50
11	Chad	7.9	2.8	48	200	1,060	0.0	625.50
12	Comoros	0.6	2.5	61	380	1,890	0.0	469.12
13	Cote D Ivoire	16.4	2.4	46	630	1,400	-7.4	625.50
14	Djibouti	0.6	1.9	45	890	2,420	1.1	177.72
15	Egypt	65.2	1.9	68	1,530	3,560	2.7	4.50
16	Gabon	1.3	2.5	53	3,160	5,190	-0.9	625.50
17	Gumbia	1.3	2.9	53	320	2,010	-5.9	23.39
18	Guinea	7.6	2.2	46	410	1,900	-8.9	1,976.00
19	Guinea-Bissau	1.2	2.2	45	160	890	-11.1	625.50
20	Indonesia	209.0	1.3	66	690	2,830	19.0	8,940.00
21	Iran	64.5	1.4	69	1,860	5,940	6.9	7,951.98
22	Iraq	23.8	2.1	62	..	..	..	0.31
23	Jordan	5.0	2.9	72	1,750	3,880	1.7	0.71
24	Kazakhstan	14.9	-1.1	63	1,350	6,150	8.0	154.60
25	Kuwait	2.0	3.0	77	..	..	..	0.30
26	Kyrgyz Rep.	5.0	0.8	66	280	2,630	0.0	46.10
27	Lebanon	4.4	1.3	71	4,010	4,400	0.0	1,507.50
28	Libya	5.4	2.3	72	..	..	..	1.21
29	Malaysia	23.8	2.3	73	3,330	7,910	2.5	3.80
30	Maldives	0.3	2.3	69	2,000	..	-3.4	12.80
31	Mali	11.1	2.3	41	..	770	..	625.50
32	Mauritania	2.7	3.1	51	360	1,940	-7.7	268.71
33	Morocco	29.2	1.6	68	1,190	3,500	0.8	10.17
34	Mozambique	18.1	2.1	42	210	1,050	0.0	23,854.30
35	Niger	11.2	3.2	46	180	880	0.0	625.50
36	Oman	2.5	2.8	74	..	..	..	0.39
37	Pakistan	141.5	2.4	63	420	1,860	-6.7	58.53
38	Palestine*	3.1	4.1	72	1,350	..	-18.2	..
39	Qatar	0.6	2.1	75	..	..	..	3.64
40	Saudi Arabia	21.4	3.3	73	8,460	13,290	4.2	3.75
41	Senegal	9.8	2.5	52	490	1,480	-2.0	625.50
42	Sierra Leone	5.1	2.0	37	140	460	7.7	2,191.73
43	Somalia	9.1	3.4	47	..	..	..	..
44	Sudan	31.7	1.9	58	340	1,750	9.7	261.68
45	Sauriname	0.4	0.6	70	..	..	..	2,515.00
46	Syria	16.6	2.5	70	1,040	3,160	9.5	11.23
47	Tajikistan	6.2	0.8	67	180	1,140	0.0	3.00
48	Togo	4.7	2.8	49	270	1,620	-6.9	625.50
49	Tunisia	9.7	1.1	72	2,070	6,090	-1.4	1.33
50	Turkey	66.2	1.4	70	2,530	5,830	-17.9	1,643,700.00
51	Turkmenistan	5.4	2.8	65	950	4,240	26.7	..
52	Uganda	22.8	2.6	43	260	1,460	-7.1	1,852.57
53	U.A. Emirates	3.0	2.4	75	..	..	..	3.67
54	Yemen Rep.	18.0	3.0	57	450	730	9.8	179.01
	IDB members	1147.1	1.9	63	1,102	3,205	0.4	..

* Refers to Gaza and West Bank

GNI = Gross National Income (formally called GNP) .. Refers to data not available.

Sources: 1. IMF, International Financial Statistics, CD ROM, June 2003.
2. World Bank, IDB Live Database, June 2003.

TABLE 2
CONSUMER PRICE INDICES (1995=100)

	Country	1997	1998	1999	2000	2001	2002
1	Afghanistan	..	..	..	..	..	..
2	Albania	150	181	182	182	188	202
3	Algeria	125	132	135	136	141	143
4	Azerbaijan	..	..	..	..	..	..
5	Bahrain	102	102	100	100	..	..
6	Bangladesh	106	113	123	128	130	136
7	Benin	109	115	115	120	125	128
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	109	114	113	113	118	121
10	Cameroon	109	112	114	112	117	120
11	Chad	119	133	124	129	145	152
12	Comoros	..	..	..	..	..	..
13	Cote D Ivoire	107	112	112	115	120	124
14	Djibouti	..	..	..	..	..	..
15	Egypt	112	117	120	124	126	130
16	Gabon	105	106	104	105	..	..
17	Gumbia	104	105	109	110	..	..
18	Guinea	..	..	..	..	..	..
19	Guinea-Bissau	225	239	238	258	267	277
20	Indonesia	115	182	219	228	256	285
21	Iran	151	178	214	245	273	312
22	Iraq	..	..	..	..	..	..
23	Jordan	110	113	114	115	117	119
24	Kazakhstan	164	162	190	215	233	246
25	Kuwait	104	104	108	109	111	113
26	Kyrgyz Rep.	163	180	244	290	310	317
27	Lebanon	..	..	..	..	..	..
28	Libya	..	..	..	..	..	..
29	Malaysia	106	112	115	117	118	120
30	Maldives	114	113	116	115	115	116
31	Mali	106	111	109	109	114	120
32	Mauritania	110	118	123	127	133	138
33	Morocco	104	107	108	110	110	113
34	Mozambique	159	162	166	188	205	239
35	Niger	108	113	111	114	118	122
36	Oman	100	99	100	99	98	97
37	Pakistan	123	131	136	142	146	151
38	Palestine	..	..	..	..	..	..
39	Qatar	110	113	116	118	119	..
40	Saudi Arabia	101	101	99	99	98	98
41	Senegal	104	106	106	107	111	113
42	Sierra Leone	142	192	257	255	260	252
43	Somalia	..	..	..	..	..	..
44	Sudan	341	400	464	..	525	..
45	Sauriname	106	127	252	..	..	..
46	Syria	110	109	107	107	107	..
47	Tajikistan	..	..	..	..	..	..
48	Togo	113	114	114	117	121	125
49	Tunisia	108	111	114	117	119	123
50	Turkey	335	618	1020	1580	2439	3536
51	Turkmenistan	..	..	..	..	..	..
52	Uganda	115	115	122	125	128	127
53	U.A. Emirates	..	..	..	..	..	..
54	Yemen Rep.	137	148	..	..	..	..
	IDB members	125	135	144	143	--	--

.. Data not available.
-- Data not computed if more than one-third of the observations in the series are missing in a given year.
Source: IMF, International Financial Statistics On-line, June 2003.

TABLE 3
VALUE OF MERCHANDISE TRADE

		EXPORTS (f.o.b.)					IMPORTS (c.i.f.)				
	Country	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001
1	Afghanistan	144	137	110	133	92	605	472	487	636	719
2	Albania	139	205	264	262	302	646	829	1,140	1,091	1,275
3	Algeria	13,717	10,044	12,601	22,020	20,479	9,022	9,684	9,712	9,635	10,068
4	Azerbaijan	781	606	929	1,745	2,674	794	1,077	1,036	1,172	1,628
5	Bahrain	4,384	3,270	4,140	5,704	5,545	4,026	3,566	3,698	4,634	4,263
6	Bangladesh	3,778	3,831	3,922	4,691	4,958	6,898	6,974	7,694	8,360	8,397
7	Benin	424	414	422	392	407	682	675	749	613	651
8	Brunei	2,684	2,059	2,224	3,549	3,754	2,129	1,583	1,328	1,421	1,346
9	Burkina Faso	233	319	255	213	175	588	732	579	550	656
10	Cameroon	1,860	1,671	1,601	1,823	1,996	1,359	1,495	1,318	1,496	1,961
11	Chad	237	262	202	193	197	334	356	316	323	617
12	Comoros	6	4	12	16	33	57	48	70	63	77
13	Cote D Ivoire	4,451	4,607	4,662	3,888	4,033	2,781	2,991	3,252	2,535	2,472
14	Djibouti	11	12	12	13	17	235	275	302	301	306
15	Egypt	3,921	3,130	3,559	4,689	4,128	13,211	16,166	16,022	14.010	12,756
16	Gabon	3,024	2,050	2,492	3,556	3,093	1,104	1,090	976	1,088	1,117
17	Gumbia	15	27	16	35	25	278	245	192	233	266
18	Guinea	642	823	759	854	849	576	749	748	691	746
19	Guinea-Bissau	49	27	51	62	66	89	68	69	62	61
20	Indonesia	53,443	48,847	48,665	62,124	55,934	41,694	27,337	24,004	33,515	36,969
21	Iran	18,381	13,118	21,030	28,345	26,554	14,196	14,323	12,683	14,296	17,246
22	Iraq	4,602	5,500	12,750	20,603	15,800	4,260	4,400	8,130	11,153	11,000
23	Jordan	1,836	1,802	1,832	1,898	2,293	4,102	3,829	3,717	4,539	4,806
24	Kazakhstan	6,497	5,436	5,598	9,126	8,647	4,301	4,350	3,687	5,051	6,363
25	Kuwait	14,224	9,554	12,218	18,156	16,179	8,246	8,619	7,617	7,157	7,324
26	Kyrgyz Rep.	604	514	454	505	543	709	842	600	554	541
27	Lebanon	643	662	677	715	870	7,467	7,070	6,207	6,230	7,294
28	Libya	9,656	6,659	7,887	12,192	11,492	6,123	5,466	4,888	7,744	8,263
29	Malaysia	78,740	73,305	84,455	98,135	88,005	79,030	58,319	64,966	82,199	73,866
30	Maldives	73	74	64	76	71	349	354	402	389	398
31	Mali	561	556	571	545	740	739	756	820	592	657
32	Mauritania	518	597	525	479	489	317	319	282	293	309
33	Morocco	7,032	7,153	7,367	6,961	7,116	9,526	10,290	9,925	11,534	10,958
34	Mozambique	222	230	263	364	688	739	790	1,139	1,158	1,151
35	Niger	272	334	287	283	291	391	377	404	372	377
36	Oman	7,630	5,508	7,094	10,509	12,053	5,026	5,682	4,674	5,040	5,641
37	Pakistan	8,758	8,514	8,491	9,028	9,660	11,650	9,330	10,297	11,293	11,097
38	Palestine	..	..	..	..	..	..	..	..	..	..
39	Qatar	3,792	4,880	7,061	10,082	9,996	3,322	3,409	2,500	3,252	2,748
40	Saudi Arabia	60,732	38,822	50,761	77,583	74,252	28,732	30,013	28,011	30,238	31,223
41	Senegal	905	968	1,027	920	1,001	1,447	1,407	1,471	1,521	1,549
42	Sierra Leone	17	7	6	13	26	93	95	81	149	160
43	Somalia	123	99	91	93	101	291	248	295	335	344
44	Sudan	594	596	780	1,807	2,139	1,580	1,915	1,688	1,376	1,652
45	Sauriname	701	436	342	399	403	658	552	425	468	565
46	Syria	3,916	2,890	3,464	4,981	5,693	4,028	3,895	3,832	4,299	4,940
47	Tajikistan	746	602	689	779	804	750	726	664	674	785
48	Togo	424	417	391	363	400	645	588	597	565	628
49	Tunisia	5,560	5,738	5,872	5,850	6,606	7,914	8,350	8,474	8,567	9,549
50	Turkey	26,261	26,974	26,588	26,572	27,762	48,559	45,921	40,692	53,499	42,492
51	Turkmenistan	751	594	1,187	2,506	2,381	1,183	1,008	1,478	1,785	1,986
52	Uganda	555	501	519	461	457	1,316	1,416	1,342	1,516	1,594
53	U.A. Emirates	31,262	25,885	27,774	41,145	41,468	29,952	24,728	33,231	38,139	39,665
54	Yemen Rep.	2,504	1,498	2,440	4,079	3,852	2,014	2,167	2,008	2,324	2,703
	Total	393,033	332,768	387,453	511,511	487,586	376,758	337,960	340,913	400,728	396,222

.. Data not available. c.i.f. means cost, insurance, & freight . f.o.b. means free on board .
Source: UNCTAD, Handbook of Statistics CD ROM 2001.

TABLE 4
SELECTED INDICATORS ON MERCHANDISE TRADE

SI. No.	Country	Trade Balance (US$ million)			Average Annual Growth Rates (%)				Terms of Trade	
					Exports		Imports		(1990=100)	
		1990	2000	2001	1982-91	1992-2001	1982-91	1992-2001	1991	2000
1	Afghanistan	-701	-503	-627	-14.5	-3.9	-5.0	6.4	103	101
2	Albania	-199	-829	-973	..	10.7	..	9.5	..	..
3	Algeria	3,150	12,385	10,410	-1.9	8.0	-2.9	1.3	109	134
4	Azerbaijan	..	573	1,045	..	6.7	..	7.1	..	..
5	Bahrain	49	1,070	1,282	-0.4	4.4	0.7	0.6	..	..
6	Bangladesh	-1,947	-3,669	-3,439	9.9	9.8	5.2	9.7	90	111
7	Benin	-143	-221	-243	14.2	1.2	-5.3	2.5	89	82
8	Brunei	1,212	2,129	2,408	-6.0	4.4	5.6	-3.2	98	153
9	Burkina Faso	-384	-337	-481	10.2	14.1	7.1	4.6	95	84
10	Cameroon	602	327	35	7.9	2.0	1.0	5.4	126	123
11	Chad	-97	-130	-420	11.9	3.2	8.9	9.2	101	69
12	Comoros	-34	-48	-44	4.1	-1.7	5.9	1.2	91	76
13	Cote D Ivoire	975	1,353	1,560	2.5	5.8	1.8	2.7	108	118
14	Djibouti	-190	-288	-289	8.6	0.3	-0.7	4.6	..	..
15	Egypt	-14,198	-9,321	-8,628	-1.8	4.8	4.8	6.8	124	99
16	Gabon	1,286	2,467	1,977	-1.0	3.7	1.0	5.0	91	64
17	Gumbia	-157	-198	-241	-3.8	-8.5	8.3	0.9	100	100
18	Guinea	-27	163	103	4.0	4.7	12.7	-0.2	96	65
19	Guinea-Bissau	-66	-0.1	6	6.8	15.5	6.1	-6.1	87	63
20	Indonesia	3,838	28,609	18,966	2.5	5.9	4.7	0.8	94	104
21	Iran	-1,017	14,049	9,308	2.1	3.0	4.6	-4.1	82	133
22	Iraq	3,788	9,450	4,800	-15.1	64.7	-14.3	22.7	86	123
23	Jordan	-1,536	-2,641	-2,513	6.8	6.2	-2.8	3.6	111	102
24	Kazakhstan	..	4,075	2,284	..	17.4	..	17.0	..	..
25	Kuwait	3,071	10,999	8,854	-14.3	7.3	-5.7	0.7	89	167
26	Kyrgyz Rep.	..	-50	2	..	6.2	..	5.3	..	..
27	Lebanon	-2,031	-5,515	-6,423	-3.9	5.5	-1.8	4.8	101	107
28	Libya	7,889	4,448	3,229	-2.6	1.9	-2.2	3.9	89	138
29	Malaysia	194	15,936	14,139	11.5	8.8	12.0	5.8	103	88
30	Maldives	-86	-313	-327	20.9	8.7	15.6	9.9	..	..
31	Mali	-260	-47	83	10.8	9.1	9.2	1.1	95	72
32	Mauritania	215	186	180	6.4	1.3	2.4	-4.0	106	108
33	Morocco	-2,657	-4,573	-3,842	10.0	7.0	7.0	5.2	105	118
34	Mozambique	-752	-794	-463	-1.1	16.4	4.2	3.0	102	79
35	Niger	-106	-89	-86	-0.7	0.1	0.0	-0.8	92	53
36	Oman	2,827	5,469	6,412	5.5	8.0	-0.2	4.3	87	127
37	Pakistan	-1,796	-2,265	-1,437	11.5	3.3	4.7	1.6	97	98
38	Palestine	..	..	..	..	..	..	..	..	..
39	Qatar	1,598	6,830	7,249	-4.3	14.2	0.6	5.0	89	132
40	Saudi Arabia	20,347	47,346	43,029	-3.8	4.9	-5.3	0.6	81	115
41	Senegal	-458	-602	-548	2.6	4.1	2.9	4.8	88	83
42	Sierra Leone	-11	-136	-134	1.7	-27.1	-3.0	-2.4	83	101
43	Somalia	-244	-242	-243	3.6	-3.8	-3.3	2.9	99	82
44	Sudan	-244	431	487	-3.8	19.7	-4.5	7.5	99	114
45	Sauriname	0	-69.0	-162	1.7	0.3	1.1	-2.8	102	84
46	Syria	1,812	683	753	7.6	5.4	-7.6	0.5	70	130
47	Tajikistan	..	105	19	..	15.9	..	12.3	..	..
48	Togo	-314	-202	-228	5.5	7.1	6.8	10.9	95	78
49	Tunisia	-1,986	-2,717	-2,943	8.7	5.5	6.4	4.5	99	97
50	Turkey	-9,343	-26,927	-14,730	11.1	7.7	10.7	8.5	102	91
51	Turkmenistan	..	721	395	..	4.9	..	12.8	..	..
52	Uganda	-135	-1,056	-1,137	-8.4	11.8	-1.7	13.4	92	96
53	U.A. Emirates	12,345	3,006	1,803	4.9	6.3	5.1	9.6	81	122
54	Yemen Rep.	-879	1,755	1,148	-1.6	22.7	-2.9	-0.1	..	..
	Total	23,199	110,783	91,364	1.1	7.0	1.9	4.3	95	99

.. Data not available.
Source: UNCTAD, Handbook of Statistics CD ROM 2002.

TABLE 5
CURRENT ACCOUNT BALANCES

(US$ million)

Sl. No.	Country	1996	1997	1998	1999	2000	2001
1	Afghanistan	..	..	..	..	..	..
2	Albania	-107	-272	-65	-155	-156	-217
3	Algeria	..	..	..	..	..	..
4	Azerbaijan	-931	-916	-1,365	-600	-168	-52
5	Bahrain	261	-31	-778	-37	782	157
6	Bangladesh	-991	-286	-35	-364	-306	-535
7	Benin	-57	-170	-151	-191	-111	..
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	..	..	..	..	..	..
10	Cameroon	..	..	..	..	..	..
11	Chad	..	..	..	..	..	..
12	Comoros	..	..	..	..	..	..
13	Cote D Ivoire	-162	-155	-290	-120	-242	-58
14	Djibouti	..	..	..	..	..	..
15	Egypt	-192	-711	-2,566	-1,635	-971	-388
16	Gabon	889	531	-596	390	..	..
17	Gambia	-48	-24	..	..	..	..
18	Guinea	-177	-91	-184	-215	-155	-102
19	Guinea-Bissau	-60	-30	..	..	..	..
20	Indonesia	-7,663	-4,889	4,096	5,785	7,985	6,899
21	Iran	5,232	2,213	-2,139	6,589	12,645	..
22	Iraq	..	..	..	..	..	..
23	Jordan	-222	29	14	405	59	-4
24	Kazakhstan	-751	-799	-1,255	-171	676	-1,092
25	Kuwait	7,107	7,934	2,215	5,062	14,670	8,562
26	Kyrgyz Rep.	-425	-139	-413	-252	-126	-53
27	Lebanon	..	..	..	..	..	..
28	Libya	1,220	1,550	-351	2,136	..	..
29	Malaysia	-4,462	-5,935	9,529	12,604	8,488	7,287
30	Maldives	-7	-34	-23	-82	-53	-61
31	Mali	-273	-178	..	..	..	..
32	Mauritania	91	48	77	..	..	..
33	Morocco	34	-89	3	-131	-37	247
34	Mozambique	-58	-169	-146	-171	-501	1,606
35	Niger	-421	-296	-429	-912	-764	-1,604
36	Oman	..	..	..	..	..	..
37	Pakistan	338	-78	-2,950	-291	3,423	2,315
38	Palestine	-4,436	-1,712	-2,248	-920	-85	1,880
39	Qatar	..	..	..	..	..	..
40	Saudi Arabia	681	305	-13,150	412	14,336	14,502
41	Senegal	-200	-185	-247	-320	..	..
42	Sierra Leone	..	..	..	..	..	..
43	Somalia	..	..	..	..	..	..
44	Sudan	-827	-828	-957	-465	-557	-618
45	Suriname	-64	-68	-155	-29	32	-84
46	Syria	40	461	58	201	1,062	..
47	Tajikistan	..	..	..	..	..	..
48	Togo	-154	-117	-140	-127	-140	..
49	Tunisia	-478	-595	-675	-442	-821	-863
50	Turkey	-2,437	-2,638	1,984	-1,360	-9,819	3,396
51	Turkmenistan	-0.23	-580.2	..	..	..	..
52	Uganda	-252	-367	-503	-711	-825	-802
53	U.A. Emirates	..	..	..	..	..	..
54	Yemen	39	-69	-303	577	1,862	..
	IDB MCs	-9,925	-9,377	--	--	--	--

.. Data not available.
-- Data not computed if more than one-third of the observations in the series are missing in a given year.
Source: IMF, International Financial Statistics Online, June 2003.

TABLE 6
NET RESOURCE FLOWS*

(US$ million)

Sl. No.	Country	1996	1997	1998	1999	2000	2001
1	Afghanistan	153.0	219.2	148.1	148.5	161.6	402.1
2	Albania	281.1	174.3	255.0	511.8	232.2	336.0
3	Algeria	1,875.6	-391.1	203.1	-933.7	-384.1	552.2
4	Azerbaijan	180.1	624.8	532.2	688.9	657.8	336.8
5	Bahrain	724.7	658.8	952.5	-620.1	1,501.9	-139.5
6	Bangladesh	1,216.4	1,058.0	1,320.1	1,190.6	1,249.7	637.4
7	Benin	292.3	270.5	167.4	224.7	226.1	276.5
8	Brunei	-63.1	-12.8	780.0	-81.7	-93.1	79.5
9	Burkina Faso	413.7	387.7	391.5	435.4	343.0	395.7
10	Cameroon	482.0	431.8	376.2	576.8	246.8	403.2
11	Chad	344.3	264.7	234.9	206.7	-225.0	186.2
12	Comoros	39.8	26.5	99.4	138.9	-1.9	27.7
13	Cote D Ivoire	681.3	412.4	-193.9	555.4	732.5	143.9
14	Djibouti	112.2	108.7	100.5	271.5	91.4	70.9
15	Egypt	2,736.7	2,915.5	4,118.5	1,771.3	3,241.8	2,800.2
16	Gabon	367.6	220.4	149.8	227.7	76.9	-58.6
17	Gambia	44.3	38.9	36.8	33.3	44.8	46.0
18	Guinea	211.8	424.4	316.7	235.4	331.8	251.5
19	Guinea-Bissau	205.1	133.9	96.3	53.2	84.3	58.1
20	Indonesia	8,003.0	8,005.2	6,722.7	9,013.6	2,511.3	1,531.3
21	Iran	-1,498.4	-2,544.5	-230.8	1,040.0	1,249.9	2,269.4
22	Iraq	460.8	209.4	-5.6	74.0	128.8	142.0
23	Jordan	846.1	503.1	610.5	510.8	572.9	489.8
24	Kazakhstan	513.3	676.2	2,012.7	944.5	811.5	1,794.6
25	Kuwait	-908.1	-702.8	-330.3	25.6	57.0	436.0
26	Kyrgyz Rep.	304.4	266.9	258.9	316.9	223.3	159.5
27	Lebanon	342.6	128.6	609.0	309.3	67.1	302.7
28	Libya	115.1	51.7	64.2	-217.9	-928.3	65.6
29	Malaysia	4,389.2	2,188.6	-831.7	1,378.8	-440.8	1,700.8
30	Maldives	-62.4	42.3	33.0	31.8	10.9	32.1
31	Mali	534.2	439.4	408.3	470.4	385.4	350.3
32	Mauritania	277.4	249.4	118.9	263.5	211.2	242.3
33	Morocco	812.3	549.1	894.8	587.4	585.6	377.4
34	Mozambique	1,021.5	1,065.3	1,280.2	1,150.1	1,146.6	995.2
35	Niger	208.3	304.0	245.3	189.2	177.4	210.2
36	Oman	-120.0	830.5	527.7	239.9	82.0	-253.4
37	Pakistan	2,306.9	1,850.0	1,687.4	719.5	226.6	1,801.1
38	Palestine	554.0	612.9	620.7	561.9	773.9	869.4
39	Qatar	1,435.9	339.8	521.5	272.0	-288.8	-74.1
40	Saudi Arabia	-394.5	1,558.4	2,801.7	380.2	-956.3	519.6
41	Senegal	541.3	566.1	555.4	656.9	474.7	457.4
42	Sierra Leone	192.9	130.1	70.1	76.1	186.8	327.4
43	Somalia	170.8	80.7	84.5	119.6	108.6	148.7
44	Sudan	207.6	87.8	211.3	230.5	320.4	187.2
45	Suriname	134.8	135.8	-68.5	35.9	23.5	35.4
46	Syria	92.7	-36.8	165.9	283.0	210.4	-1.5
47	Tajikistan	104.0	93.6	170.3	132.2	136.7	140.2
48	Togo	147.5	115.9	268.0	-31.3	60.4	36.4
49	Tunisia	650.7	522.6	499.3	622.1	665.5	729.6
50	Turkey	4,325.6	4,651.1	3,775.0	3,428.5	8,063.8	2,583.8
51	Turkmenistan	218.8	312.2	401.0	457.3	224.4	236.3
52	Uganda	747.2	763.6	699.3	591.9	804.0	769.1
53	U.A. Emirates	-11.8	842.4	181.1	166.8	-1,490.2	269.8
54	Yemen	265.4	317.7	353.4	770.3	288.5	473.5
	Total	37,227.7	33,172.8	35,470.1	31,381.6	25,203.1	27,160.5

* (Also called Total Net Receipt) is the sum of the Net Official Development Assistance (ODA), Net Other Official Flows (OOF), and Net Private Sector Flows.

Source: OECD: Development Assistance Committee (DAC) Statistics Online, June 2003.

TABLE 7
OVERALL BALANCE OF THE BALANCE OF PAYMENTS

(US$ million)

Sl. No.	Country	1996	1997	1998	1999	2000	2001
1	Afghanistan	..	..	..	..	..	..
2	Albania	56	40	52	107	120	147
3	Algeria	..	..	..	..	..	..
4	Azerbaijan	-8.5	139	-59	133	326	73
5	Bahrain	-6	103	-17	25	200	123
6	Bangladesh	-414	-135	288	-189	-31	-144
7	Benin	-149	-100	-87	-89	-20	..
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	..	..	..	..	..	..
10	Cameroon	..	..	..	..	..	..
11	Chad	..	..	..	..	..	..
12	Comoros	..	..	..	..	..	..
13	Cote D Ivoire	-848	-477	-650	-708	-606	-94
14	Djibouti	..	..	..	..	..	..
15	Egypt	-1,725	-635	-1,387	-4,614	-2,030	-1,345
16	Gabon	-251	-197	-667	-398	..	..
17	Gambia	15	7	..	..	..	..
18	Guinea	-60	-131	-158	-76	-65	-117
19	Guinea-Bissau	-43	-15	..	..	..	..
20	Indonesia	4,503	-8,137	-3,693	1,972	3,726	-15
21	Iran	2,441	-3,697	-991	451	1,083	..
22	Iraq	..	..	..	..	..	..
23	Jordan	-188	275	-536	1,249	1,827	625
24	Kazakhstan	159	548	-443	253	570	385
25	Kuwait	-25	6	258	918	2,268	2,905
26	Kyrgyz Rep.	-20	46	-73	-50	-70	-32
27	Lebanon	..	..	..	..	..	..
28	Libya	1,221	1,553	-426	688	..	..
29	Malaysia	2,513	-3,875	10,018	4,711	-1,009	999
30	Maldives	28	22	20	9	-4	-30
31	Mali	29	-9	..	..	..	..
32	Mauritania	4	28	43	..	..	..
33	Morocco	-673	-988	-640	-69	-1,167	860
34	Mozambique	-424	-478	-393	-326	-416	-1,425
35	Niger	..	..	..	..	..	..
36	Oman	189	531	-765	215	2,262	1,034
37	Pakistan	-780	538	-3,110	-2,516	-2,627	2,197
38	Palestine	..	..	..	..	..	..
39	Qatar	..	..	..	..	..	..
40	Saudi Arabia	5,749	648	-719	2,815	2,665	-1,909
41	Senegal	-202	-95	-248	-268	..	..
42	Sierra Leone	..	..	..	..	..	..
43	Somalia	..	..	..	..	..	..
44	Sudan	38	18	73	115	124	-151
45	Suriname	-2	19	8	-4	10	78
46	Syria	987	449	434	259	541	..
47	Tajikistan	..	..	..	..	..	..
48	Togo	-25	13	-17	32	37	..
49	Tunisia	442	386	-138	738	-205	288
50	Turkey	4,544	3,343	441	5,354	-3,934	-12,888
51	Turkmenistan	8	398	..	..	..	..
52	Uganda	-9	-41	-41	-455	-464	-239
53	U.A. Emirates	..	..	..	..	..	..
54	Yemen	-436	4,018	-581	74	1,594	..
	Total*	16,558	-5,882	--	--	--	--

.. Data not available.

-- Data not computed if more than one-third of the observations in the series are missing in a given year.

Source: IMF, International Financial Statistics Online, June 2003.

TABLE 8
GROSS INTERNATIONAL RESERVES IN MONTHS OF IMPORTS

(US$ million)

Sl. No.	Country	1996	1997	1998	1999	2000	2001
1	Afghanistan	..	..	..	..	..	..
2	Albania	..	..	..	..	..	..
3	Algeria	5.7	10.3	8.5	5.6	15.0	21.1
4	Azerbaijan	2.9	6.0	5.1	7.3	6.5	5.5
5	Bahrain	3.8	4.1	3.6	3.9	3.6	4.9
6	Bangladesh	3.3	2.7	3.1	2.4	2.0	1.8
7	Benin	4.7	4.5	4.4	7.1	9.9	10.3
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	6.6	6.3	6.8	6.3	5.5	4.4
10	Cameroon	0.0	0.0	0.0	0.0	1.6	1.8
11	Chad	5.9	4.7	4.3	3.6	4.1	1.6
12	Comoros	10.1	9.3	8.0	6.7	8.6	8.7
13	Cote D Ivoire	2.6	2.6	3.3	2.6	3.6	5.0
14	Djibouti	3.4	3.1	2.8	2.8	2.7	2.7
15	Egypt	15.9	15.3	13.5	11.6	12.0	12.7
16	Gabon	2.9	3.1	0.2	0.2	2.0	0.1
17	Gambia	4.6	4.4	5.8	6.3	5.1	..
18	Guinea	1.7	2.2	3.8	3.3	2.7	..
19	Guinea-Bissau	1.6	5.2	6.3	6.5	13.5	13.9
20	Indonesia	5.2	5.8	10.6	11.0	8.5	8.4
21	Iran	..	..	..	..	..	..
22	Iraq	..	..	..	..	..	..
23	Jordan	5.0	6.7	5.6	7.6	7.9	7.4
24	Kazakhstan	3.6	4.7	4.4	4.1	3.2	3.3
25	Kuwait	5.1	4.9	5.8	7.8	12.2	16.0
26	Kyrgyz Rep.	1.5	2.6	2.7	4.8	5.4	5.9
27	Lebanon	9.5	9.9	11.9	15.0	11.4	7.6
28	Libya	..	..	16.9	13.8	14.9	20.8
29	Malaysia	4.1	3.6	5.0	5.0	3.8	5.2
30	Maldives	2.8	3.4	3.8	3.9	3.9	2.8
31	Mali	6.9	6.7	6.1	5.9	9.0	6.0
32	Mauritania	5.1	7.6	8.1	9.4	..	..
33	Morocco	4.7	4.8	5.3	6.4	4.6	9.5
34	Mozambique	5.5	8.1	7.6	6.8	7.5	7.5
35	Niger	2.2	1.7	1.6	1.2	2.7	3.4
36	Oman	3.5	3.5	2.5	6.8	5.5	4.8
37	Pakistan	0.6	1.4	1.3	1.7	1.5	4.0
38	Palestine	..	..	..	..	..	..
39	Qatar	2.7	2.9	4.2	5.4	3.7	6.2
40	Saudi Arabia	6.4	6.3	6.1	7.2	7.7	6.9
41	Senegal	2.4	3.3	3.6	3.2	3.0	3.4
42	Sierra Leone	2.1	4.9	6.0	4.1	2.9	3.8
43	Somalia	..	..	..	..	..	..
44	Sudan	0.8	0.6	0.6	1.5	..	..
45	Suriname	2.0	2.2	2.6	1.0	1.5	2.3
46	Syria	..	..	..	..	..	..
47	Tajikistan	..	..	..	..	..	..
48	Togo	1.6	2.3	2.4	2.5	3.3	2.3
49	Tunisia	2.9	2.9	2.6	3.2	2.5	2.4
50	Turkey	4.3	4.7	5.4	6.0	4.4	5.9
51	Turkmenistan	..	..	..	..	..	..
52	Uganda	5.1	5.6	6.3	6.4	6.0	7.2
53	U.A. Emirates	3.7	3.7	3.8	3.6	4.0	4.2
54	Yemen	6.0	6.9	5.7	8.2	13.9	15.0
	Total	3.6	4.2	4.3	4.6	4.9	5.0

.. Data not available.

Source: UNCTAD, Handbook of Statistics CD ROM 2002.

TABLE 9
INDICATORS ON EXTERNAL DEBT FOR THE YEAR 2001

Sl. No.	Country	Total Debt Stock (US$ mn)	Interest Payments (US$ mn)	Total Debt Service (US$ mn)	Net Transfers (US$ mn)	Total Debt		Interest Payments As % of XGS	Total Debt Service As % of XGS	Concessional Debt As % of Total Debt
						As % of XGS	As % of GNI			
1	Afghanistan	..	..	..	..	..	..	..	..	..
2	Albania	1,094	12	36	69	67.8	25.7	0.8	2.2	55.2
3	Algeria	22,503	1,424	4,375	-3,418	100.3	43.9	6.4	19.5	12.0
4	Azerbaijan	1,219	39	132	-45	48.5	23.3	1.6	5.3	37.3
5	Bahrain	..	..	..	..	..	..	..	..	..
6	Bangladesh	15,216	179	672	412	165.1	32.8	1.9	7.3	93.6
7	Benin	1,665	17	50	82	264.8	70.8	2.8	7.9	84.5
8	Brunei	..	..	..	..	..	..	..	..	..
9	Burkina Faso	1,490	13	38	102	450.5	60.0	3.8	11.5	83.9
10	Cameroon	8,338	152	342	-413	305.8	104.1	5.6	12.6	50.2
11	Chad	1,104	6	23	40	374.5	69.3	2.1	7.9	81.1
12	Comoros	246	1	2	3	382.7	110.3	1.3	3.6	86.6
13	Cote D Ivoire	11,582	250	618	-767	253.1	118.4	5.5	13.5	33.5
14	Djibouti	262	2	11	6	..	44.5	..	..	89.5
15	Egypt	29,234	834	1,932	-694	134.4	29.4	3.8	8.9	68.3
16	Gabon	3,410	182	456	-454	104.1	90.8	5.5	13.9	37.6
17	Gambia	489	4	11	19	172.8	127.9	1.5	3.8	86.5
18	Guinea	3,254	37	105	-24	381.1	112.3	4.3	12.3	76.4
19	Guinea-Bissau	668	10	23	-20	1,177.6	364.8	17.4	41.1	85.1
20	Indonesia	135,704	5,897	15,530	-11,675	205.9	97.2	9.0	23.6	20.7
21	Iran	7,483	402	1,283	-357	28.4	6.6	1.5	4.9	5.7
22	Iraq	..	..	..	..	..	..	..	..	..
23	Jordan	7,480	269	669	-206	120.0	84.6	4.3	10.7	42.8
24	Kazakhstan	14,372	709	3,331	1,946	135.3	67.9	6.7	31.4	2.7
25	Kuwait	..	..	..	..	..	..	..	..	..
26	Kyrgyz Rep.	1,717	49	177	-113	288.9	117.6	8.2	29.8	56.6
27	Lebanon	12,450	777	1,457	1,922	434.8	70.5	27.1	50.9	4.4
28	Libya	..	..	..	..	..	..	..	..	..
29	Malaysia	43,351	2,141	6,229	1,413	41.6	54.4	2.1	6.0	7.3
30	Maldives	235	6	22	31	49.9	42.8	1.3	4.6	59.5
31	Mali	2,890	19	80	3	317.1	115.0	2.0	8.8	85.0
32	Mauritania	2,164	29	89	26	552.5	220.0	7.4	22.8	75.7
33	Morocco	16,963	966	2,628	-1,450	114.9	51.0	6.5	17.8	31.1
34	Mozambique	4,466	18	87	165	175.2	134.4	0.7	3.4	46.3
35	Niger	1,555	8	25	50	428.0	80.2	2.2	6.8	76.7
36	Oman	6,025	356	1,667	-997	51.4	..	3.0	14.2	14.6
37	Pakistan	32,020	865	2,958	-223	278.8	55.4	7.5	25.8	62.1
38	Palestine	..	..	..	..	..	..	..	..	..
39	Qatar	..	..	..	..	..	..	..	..	..
40	Saudi Arabia	..	..	..	..	..	..	..	..	..
41	Senegal	3,461	62	214	165	215.1	75.8	3.8	13.3	75.7
42	Sierra Leone	1,188	11	96	54	1,265.5	162.9	11.9	102.1	72.3
43	Somalia	2,532	0	0	2	..	..	..	..	57.7
44	Sudan	15,348	2	56	-185	623.5	137.5	0.1	2.3	29.4
45	Suriname	..	..	..	..	..	..	..	..	..
46	Syria	21,305	164	266	-585	272.2	113.5	2.1	3.4	69.1
47	Tajikistan	1,086	22	80	75	123.8	105.9	2.6	9.1	70.7
48	Togo	1,406	11	32	14	289.4	113.9	2.2	6.7	70.2
49	Tunisia	10,884	459	1,355	314	103.3	57.1	4.4	12.9	23.8
50	Turkey	115,118	6,206	22,387	-9,538	205.7	78.8	11.1	40.0	3.5
51	Turkmenistan	..	..	..	..	..	..	..	..	..
52	Uganda	3,733	18	50	306	552.6	67.2	2.6	7.4	81.6
53	U.A. Emirates	..	..	..	..	..	..	..	..	..
54	Yemen	4,954	78	288	-272	85.0	57.6	1.3	4.9	77.1
	Total	571,660	22,703	69,881	-24,216	130.1	58.0	5.2	15.9	28.8

XGS = Exports of Goods and Services. GNI = Gross National Income mn = million

Net Transfers = Disbursements less Total Debt Service

Source: World Bank, Global Development Finance Online, June 2003.

TABLE 10
TOTAL ODA* COMMITMENTS

(US$ million)

Sl. No.	Country	1996	1997	1998	1999	2000	2001
1	Afghanistan	199.2	162.3	129.8	160.8	121.3	430.8
2	Albania	309.2	244.7	249.9	707.9	324.9	222.9
3	Algeria	821.8	251.9	250.4	200.1	260.0	192.4
4	Azerbaijan	119.6	169.7	316.9	341.0	172.9	136.7
5	Bahrain	107.3	2.0	20.5	60.8	117.1	11.1
6	Bangladesh	1,472.4	1,775.0	1,677.1	2,175.7	1,167.0	1,455.5
7	Benin	248.9	187.3	235.4	336.7	318.1	186.1
8	Brunei	28.7	0.4	0.3	0.2	0.4	0.3
9	Burkina Faso	311.1	375.4	349.3	504.6	370.9	548.8
10	Cameroon	684.0	394.0	988.9	529.0	366.0	653.5
11	Chad	195.3	171.6	182.1	245.5	322.0	219.7
12	Comoros	25.3	48.6	41.4	16.4	18.9	28.1
13	Cote D Ivoire	818.3	497.3	1,358.3	582.2	385.5	198.1
14	Djibouti	71.3	85.9	68.9	106.6	72.0	75.7
15	Egypt	2,201.0	2,157.1	2,483.0	1,467.8	1,779.4	1,193.2
16	Gabon	139.4	143.0	127.1	88.6	78.9	99.9
17	Gambia	29.2	26.7	89.2	92.4	38.6	80.9
18	Guinea	295.0	431.6	287.3	347.9	199.7	397.5
19	Guinea-Bissau	192.6	90.8	87.6	97.4	88.0	59.1
20	Indonesia	2,429.5	713.3	3,646.5	2,117.7	1,986.3	3,227.1
21	Iran	133.4	120.1	118.2	118.2	152.8	68.4
22	Iraq	329.2	113.2	104.6	63.8	83.1	107.0
23	Jordan	510.5	609.2	569.6	654.7	574.2	409.4
24	Kazakhstan	126.4	325.6	284.1	117.3	302.8	157.5
25	Kuwait	2.4	0.4	6.0	5.5	1.9	3.0
26	Kyrgyz Rep.	320.4	281.1	295.5	263.4	276.1	196.2
27	Lebanon	261.1	503.3	180.2	265.6	161.5	175.0
28	Libya	7.8	7.0	7.2	7.6	12.1	8.8
29	Malaysia	114.9	86.8	88.8	1,107.0	1,189.9	71.7
30	Maldives	32.2	18.3	38.2	33.8	35.0	33.9
31	Mali	519.1	398.9	433.0	438.3	458.8	495.5
32	Mauritania	268.9	196.9	263.9	270.5	240.1	296.5
33	Morocco	835.3	1,101.5	1,070.0	753.0	693.1	630.9
34	Mozambique	714.7	995.7	877.9	1,288.4	1,117.6	1,104.3
35	Niger	230.4	275.8	370.4	142.5	304.4	345.1
36	Oman	113.7	29.8	72.6	14.3	151.2	9.6
37	Pakistan	1,426.6	1,173.0	871.0	462.8	1,188.1	2,428.5
38	Palestine	679.4	728.6	591.1	625.9	680.6	562.7
39	Qatar	2.3	0.9	1.3	2.3	1.1	0.8
40	Saudi Arabia	21.9	22.4	25.6	28.8	18.3	11.1
41	Senegal	485.8	546.1	556.5	871.8	560.8	526.2
42	Sierra Leone	167.8	56.4	101.9	72.6	311.0	275.4
43	Somalia	137.3	68.2	74.2	102.0	79.5	94.2
44	Sudan	177.0	126.2	281.9	274.1	284.7	177.5
45	Suriname	123.9	52.2	24.2	34.6	22.4	187.8
46	Syria	120.3	173.7	242.2	318.0	122.9	231.1
47	Tajikistan	131.9	93.1	142.8	158.6	152.4	181.7
48	Togo	189.6	152.3	145.0	93.9	53.2	35.5
49	Tunisia	639.2	545.7	468.1	512.9	578.2	516.7
50	Turkey	992.3	660.1	397.9	1,131.9	688.3	410.1
51	Turkmenistan	10.3	65.9	12.1	84.0	20.3	13.4
52	Uganda	537.8	690.8	911.8	790.8	848.2	1,063.8
53	U.A. Emirates	7.3	1.7	3.5	2.4	2.6	2.7
54	Yemen	455.4	417.4	237.2	399.5	428.7	332.5
	Total	21,525.1	18,566.6	22,458.3	21,689.7	19,983.5	20,581.5

* ODA refers to Official Development Assistance.

Source: OECD: Development Assistance Committee (DAC) Statistics Online, June 2003.

GLOSSARY

1. **Association of National Development Financing Institutions in Member Countries of the IDB (ADFIMI)**: ADFIMI was established in 1986. At present, it has a membership of 50 National Development Financing Institutions (NDFIs), of which 47 are regular members and 3 are associate members, including the IDB.

2. **Counter-trade**: In its basic form, it is a bilateral/multilateral reciprocal trading mechanism, linking trade obligations between countries. Its objective is to compensate purchase with a sale.

3. **Equity**: A mode of financing used by the IDB whereby the Bank participates in the share capital of projects or enterprises. The IDB normally limits its participation to a maximum of 1/3rd of the share capital.

4. **Export Financing Scheme (formerly Longer-Term Trade Financing Scheme):** This scheme was initiated by COMCEC and launched by IDB in 1408H(1987) as a special fund to promote export trade of OIC member countries. Presently, IDB and 23 member States of the OIC are participating in the Scheme.

5. **IDB Unit Investment Fund**: Established in 1989, the initial issue of the UIF was US$100 million and was subsequently increased to US$325 million. The Fund aims to provide investors with an attractive return from a carefully selected range of investment opportunities in member countries.

6. **Import Trade Financing Operations**: It is a short-term financing scheme of the IDB, which provides foreign exchange for import of commodities of developmental nature required by member countries, while promoting the flow of trade among them. These operations are conducted on Murabahah basis.

7. **Instalment Sale**: It is a mode of financing whereby IDB purchases machinery and equipment, then sells them to the beneficiary at a higher price, repayment being in instalments. The ownership of the asset is transferred to the purchaser on delivery.

8. **Islamic Banks Portfolio**: The IBP was established in 1987 in association with 20 Islamic banks and financing institutions. Presently, the paid-up capital of IBP is about US$100 million. IBP seeks to provide financing for trade and investment operations, and arranges syndicated financing for trade and leasing operations.

9. **Islamic Corporation for the Insurance of Investment and Export Credit**: The ICIEC was established in 1994 with an authorized and paid-up capital of about US$150 million. It is an autonomous corporation that seeks to support private sector activities in member countries through insurance protection cover to exporters and investors against political and commercial risks associated with export credits and investment flows.

10. **Islamic Research and Training Institute**: Established in 1983, IRTI undertakes basic and applied research in order to enable member countries to conform their economic, financial, and banking activities to Shariah principles, and to extend training facilities to the personnel engaged in their development activities. The Information Center of IRTI disseminates information relating to socio-economic data of member countries as well as develop databases relating to Islamic economics, banking, and finance.

11. **Istisna'a**: A medium-term mode of financing. It is a contract for manufacturing (or construction) whereby the manufacturer (seller) agrees to provide the buyer with goods identified by description after they have been manufactured/constructed in conformity with that description within a certain time and for an agreed price.

12. **Leasing**: A medium-term mode of financing, which involves purchasing and subsequently transferring of the right of use of the equipment and machinery to the beneficiary for a specific period of time, during which the IDB retains the ownership of the asset.

13. **Lines of Equity, Leasing, Instalment Sale & Combined Lines**: In these respective modes, funds are allocated through the National Development Financing Institution(s) in each member country. These lines are meant for financing small and medium enterprises (SMEs) (presently not exceeding ID 3.5 million) in the private sector.

14. **Loan**: It is a mode of financing used by the IDB to finance infrastructure projects in member countries, particularly the least developed. They are

interest-free, carrying only a service fee intended to cover the actual costs of administering them. Normally, the repayment period ranges from 15 to 25 years, including a grace period of 3 - 7 years.

15. **Mudarabah**: It is a form of partnership where one party provides the funds while the other provides the expertise and management. The latter is referred to as the **Mudarib**. Any profits accrued are shared between the two parties on a pre-agreed basis, while capital loss is borne by the partner providing the capital.

16. **Mudarib**: (See Mudarabah)

17. **Murabahah:** It is a contract of sale between a buyer and a seller at a higher price than the original price at which the seller bought the goods. As a financing technique, it involves the purchase by the seller (financier) of certain goods needed by the buyer and their re-sale to the buyer on cost-plus basis. Both the profit (mark-up) and the time of repayment (usually in instalments) are specified in the initial contract.

18. **Musharakah**: An Islamic financing technique that adopts "equity sharing" as a means of financing projects. Thus, it embraces different types of profit and loss sharing partnerships. The partners (entrepreneurs, bankers, etc) share both capital and management of a project so that profits will be distributed among them according to determined ratios of their equity participation.

19. **OIC Standing Committee for Economic and Commercial Cooperation (COMCEC)**: It was established in 1401H(1981) by a resolution of the Third Islamic Summit Conference. COMCEC's mandate is to follow up the implementation of the OIC resolutions regarding economic cooperation and to study all possible means for strengthening such cooperation among member states.

20. **OIC Standing Committee on Scientific and Technological Cooperation (COMSTECH)**: It was established by a resolution of the Third Islamic Summit Conference. It undertakes to follow up the implementation of the OIC resolutions regarding technological and scientific cooperation and to study all possible means of strengthening such co-operation among member states.

21. **Organization of the Islamic Conference (OIC)**: It is an inter-governmental organization comprising 57 Islamic States. It was established in pursuance of a decision taken during the First Summit Conference of Muslim Heads of State, held in Rabat (Morocco) in 1389H(1969). Its objective is to promote Islamic solidarity and cooperation.

22. **Ordinary Capital Resources:** The Bank include: (i) the capital subscribed in accordance with Article 5, (ii) deposits placed with the Bank pursuant to Article 8, (iii) amounts received in repayment of loans, from the sale of its equity holdings and as income from investments related to its ordinary operations, (iv) any other funds raised or received by the Bank or placed at its disposal, or income received by it, which do not form part of Special Fund Resources and Trust Fund Resources referred to in Articles 10 and 11 respectively.

23. **Profit-sharing**: It is a form of partnership which involves the pooling of funds between two or more parties in order to finance a particular venture, each partner obtaining, in accordance with the terms and conditions of partnership, a percentage of (net) profit accruing from the venture. The profit accruing to or loss incurred by each partner is proportional to each partner's share in the capital of the venture.

24. **Shariah**: The totality of beliefs and practical rules of conduct mandated by Islam.

25. **Sukuk**: A tradable Islamic bond designed according to the principles of Shariah.

26. **Technical Assistance**: This mode of financing is provided by the IDB for conducting feasibility studies, detailed design and preparation of tender documents, as well as consultancy services for the supervision of projects.

27. **Waqf Fund Operations:** It was established in 1979. It Operations include assistance to Muslim communities in non-member countries, educational grants (scholarships), relief against natural disasters, health and other social projects. Waqf Fund activities also include the Sacrificial Meat Utilization Project, which is intended to assist the Hujjaj (pilgrims) in performing the ritual of sacrifice related to Hajj and to ensure the proper utilization of the sacrificial meat.

28. **Zakah**: An obligatory periodic levy on all Muslims who have wealth or income above a certain minimum. Zakah is earmarked by the Holy Quran to specific categories of people.